

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

**FORM S-1  
REGISTRATION STATEMENT  
Under  
The Securities Act of 1933**

**SCPHARMACEUTICALS INC.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

2834  
(Primary Standard Industrial  
Classification Code Number)

46-5184075  
(I.R.S. Employer  
Identification Number)

2400 District Avenue, Suite 310  
Burlington, Massachusetts 01830  
(617) 517-0730

(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

John H. Tucker  
President and Chief Executive Officer  
2400 District Avenue, Suite 310  
Burlington, Massachusetts 01830  
(617) 517-0730

(Name, address, including zip code, and telephone number, including area code, of agent for service)

**Copies to:**

Arthur R. McGivern, Esq.  
Mitchell S. Bloom, Esq.  
Goodwin Procter LLP  
100 Northern Avenue  
Boston, Massachusetts 02210  
(617) 570-1000

Troy Ignelzi  
scPharmaceuticals Inc.  
2400 District Avenue, Suite 310  
Burlington, Massachusetts 01830  
(617) 517-0730

Peter N. Handrinis, Esq.  
Latham & Watkins LLP  
200 Clarendon Street  
Boston, Massachusetts 02116  
(617) 948-6000

**Approximate date of commencement of proposed sale to the public: As soon as practicable after the effective date of this registration statement.**

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, as amended, 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, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.

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

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

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

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer  (Do not check if a smaller reporting company)

Smaller Reporting Company

Emerging Growth Company

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

**CALCULATION OF REGISTRATION FEE**

TITLE OF EACH CLASS OF SECURITIES TO BE REGISTERED	PROPOSED MAXIMUM AGGREGATE OFFERING PRICE (1)(2)	AMOUNT OF REGISTRATION FEE
Common Stock, par value \$0.0001 per share		

(1) Estimated solely for the purpose of calculating the registration fee pursuant to Rule 457(o) under the Securities Act of 1933, as amended.

(2) Includes the offering price of shares that the underwriters may purchase pursuant to an option to purchase additional shares.

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 that 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 this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.

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

SUBJECT TO COMPLETION, DATED AUGUST 30, 2017

PRELIMINARY PROSPECTUS

Shares  
**scPharmaceuticals**  
Common Stock

We are offering \_\_\_\_\_ shares of our common stock. This is our initial public offering and no public market currently exists for our common stock. We expect the initial public offering price to be between \$ \_\_\_\_\_ and \$ \_\_\_\_\_ per share. We intend to apply to list our common stock on The NASDAQ Global Market under the symbol "SCPH."

We are an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933 and will be subject to reduced public company reporting requirements. See "Prospectus Summary—Implications of Being an Emerging Growth Company."

Investing in our common stock involves a high degree of risk. Please read "[Risk Factors](#)" beginning on page 10 of this prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

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	<u>PER SHARE</u>	<u>TOTAL</u>
Public Offering Price	\$ _____	\$ _____
Underwriting Discounts and Commissions (1)		
Proceeds to us, before expenses		

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(1) See "Underwriting" in this prospectus for a description of compensation payable to the underwriters.

Delivery of the shares of common stock is expected to be made on or about \_\_\_\_\_, 2017. We have granted the underwriters an option for a period of 30 days to purchase an additional \_\_\_\_\_ shares of our common stock. If the underwriters exercise the option in full, the total underwriting discounts and commissions payable by us will be \$ \_\_\_\_\_, and the total proceeds to us, before expenses, will be \$ \_\_\_\_\_.

**Jefferies**

**Leerink Partners**

**BMO Capital Markets**

Prospectus dated \_\_\_\_\_, 2017

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Through and including \_\_\_\_\_, 2017 (25 days after the commencement of this offering), all dealers effecting transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the obligation of dealers to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

You should rely only on the information contained in this prospectus or in any free writing prospectus we file with the Securities and Exchange Commission. Neither we nor the underwriters have authorized anyone to provide you with information other than that contained in this prospectus or any free writing prospectus prepared by or on behalf of us or to which we have referred you. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. We and the underwriters are offering to sell, and seeking offers to buy, common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date on the front cover page of this prospectus, or other earlier date stated in this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

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## PROSPECTUS SUMMARY

*This summary highlights information contained elsewhere in this prospectus and does not contain all of the information that you should consider in making your investment decision. Before investing in our common stock, you should carefully read this entire prospectus, including our financial statements and the related notes included elsewhere in this prospectus. You should also consider, among other things, the matters described under "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case appearing elsewhere in this prospectus. As used in this prospectus, unless the context otherwise requires, references to the "company," "we," "us" and "our" refer to scPharmaceuticals Inc.*

### Overview

We are a pharmaceutical company focused on developing and commercializing products that have the potential to transform the way therapy is delivered, advance patient care and reduce healthcare costs. Our proprietary platform is designed to enable the subcutaneous administration of therapies that have previously been limited to intravenous, or IV, delivery. By moving delivery away from the high-cost healthcare settings typically required for IV administration, we believe our technology reduces overall healthcare costs and advances the quality and convenience of care. Our lead product candidate, Furoscix, consists of our subcutaneous formulation of furosemide delivered via our patented sc2Wear Infusor and is under development for treatment of worsening, or decompensated, heart failure outside of the inpatient setting. We filed a new drug application, or NDA, for Furoscix, with the U.S. Food and Drug Administration, or FDA, in August 2017.

Heart failure is a chronic disease that affects approximately 6.5 million adults in the United States and treatment costs represent \$123 billion, or 33%, of annual Medicare Part A and B spending. Decompensated heart failure is one of the most common causes of hospital admissions and readmissions in patients age 65 and over, according to data from the Centers for Medicare and Medicaid Services. Patients with heart failure are prone to retain water and salt, or fluid, in their blood stream and other tissues. Management of fluid retention, or edema, to avoid decompensation is the primary concern for heart failure patients and their physicians. Heart failure patients are commonly prescribed an oral diuretic to promote ongoing discharge of excess fluid through urination, or diuresis. When their oral diuretic fails and the buildup of excess fluid continues, patients are admitted to the hospital for more intensive diuresis via IV administration of a loop diuretic. Furosemide represents over 90% of the IV loop diuretics utilized. Once a patient is stabilized, hospitals must decide between keeping the patient hospitalized for further diuresis, which results in high costs to the hospital, or discharging the patient so they may resume their normal lives and continue diuresis at home. In many instances, patients are discharged before diuresis is complete and must be readmitted to the hospital when their oral diuretic is not effective at home. Between 25% to 30% of Medicare patients are readmitted to the hospital for heart failure within 30 days of discharge, resulting in increased healthcare costs and potential penalties for the hospital.

We believe Furoscix, if approved by the FDA, would allow heart failure patients to receive IV-strength diuresis with earlier discharge from, or potentially without admission to, the high-cost hospital setting.

### Our Solution

Our novel formulation of furosemide was designed for subcutaneous delivery with a physiologic pH level to avoid the burning and discomfort associated with subcutaneous delivery of the current alkaline IV furosemide formulation. Furoscix consists of this patented formulation of furosemide for subcutaneous administration with our wearable, portable sc2Wear Infusor for the treatment of edema in patients with heart failure. Furoscix is delivered subcutaneously and has been observed in our clinical studies to date to provide comparable diuresis to IV furosemide with good tolerability.

We believe that, if approved, Furoscix has the potential to provide a safe, effective and more convenient solution that will enable IV-strength diuresis outside of the high-cost hospital setting, thereby reducing the

number of days a heart failure patient remains in the hospital. We believe we can reduce the estimated 15 million days that heart failure patients spend in the hospital each year by decreasing current readmission rates, reducing the average length of stay and reducing admission rates for patients with mild edema. According to our estimates and analyses of Medicare data, for every 10% of heart failure patients that are managed outside of the inpatient setting, Medicare could save up to \$1.5 billion annually.

Our solution has the potential to reduce healthcare costs in the following ways:

- *Reduce patient readmission:* We believe Furoscix, if approved, could reduce the incidence of readmission for heart failure patients by providing IV-strength diuresis in the home environment upon discharge. Hospitals frequently discharge heart failure patients before diuresis is complete and transition them back to oral furosemide. Persistent edema reduces absorption of the oral furosemide, rendering it ineffective. As a result, patients are often readmitted to the hospital to again receive IV furosemide to complete diuresis.
- *Reduce patient length of stay:* We believe Furoscix, if approved, could reduce the average in-hospital length of stay for heart failure patients by allowing them to complete diuresis outside the hospital once they are stabilized. Our market research suggests that 46% of physicians believe they can reduce the length of stay for heart failure patients by one to two days if IV-strength diuresis could be achieved outside of the hospital setting following discharge.
- *Reduce hospital admission rates:* We believe Furoscix, if approved, could in certain instances avoid a hospitalization altogether, by providing IV-strength diuresis in an outpatient setting such as the physician office, heart failure clinic or at home. As a result, patients with chronic heart failure would have access to Furoscix at the onset of decompensation when their oral dosage begins to fail and could obtain treatment without presenting to the hospital.

Further, through subcutaneous delivery of IV-strength furosemide, we believe we can improve patients' quality of life by providing treatment with minimal interruption of daily living. Rather than restricting the patient to a stationary environment for an IV therapy, the wearable design of our Furoscix product candidate could potentially promote patient mobility by delivering furosemide for up to five hours while the patient resumes normal daily activities outside of the hospital.

### **Our Pipeline**

We have completed clinical trials and submitted an NDA for Furoscix and believe that our sc2Wear subcutaneous drug delivery system has the potential to be used to administer additional existing drugs, specifically in the cardiovascular and infectious disease areas.

Beyond our initial focus on heart failure, our strategy is to apply our proprietary technology for the development of additional product candidates where effective and convenient subcutaneous therapy may benefit patients, caregivers and payers.

- *scCeftriaxone:* We have filed an investigational new drug application, or IND, for scCeftriaxone, an antibiotic currently used intravenously for the treatment of infections caused by gram-positive and gram-negative organisms. To date, we have completed a positive PK study for scCeftriaxone and plan to conduct an additional Phase 3 study to support an expected NDA filing in 2019.
- *scCarbapenem:* We have completed several IND-enabling studies for our scCarbapenem program, an antibiotic currently used intravenously for the treatment of infections caused by gram-negative organisms.

We aim to leverage our subcutaneous formulation expertise and delivery technology to develop and seek approval of additional drug candidates. We intend to conduct feasibility work on additional antibiotics and evaluate other product candidates.

## **Our Strategy**

Our goal is to improve the delivery paradigm for important, lifesaving medicines. We strive to reduce costs and improve patient quality of life by allowing for administration of therapies in lower cost settings with increased convenience and comfort for patients. Key elements of our strategy to achieve this goal are to:

- *Obtain FDA approval for our lead product candidate, Furoscix.* If the FDA accepts our NDA filing and initiates a substantive review, we expect a standard product review of ten months from the receipt date and potential FDA approval in the first half of 2018.
- *Commercialize Furoscix in the United States.* We believe that we can effectively commercialize Furoscix, if approved, in the United States with a specialty sales force of approximately 40 representatives initially. We intend to target the highest volume hospitals and clinics, initially concentrating on those institutions that collectively account for 40% of all IV furosemide administered to heart failure patients.
- *Leverage our proprietary and licensed technology and the Furoscix sales force to develop and commercialize additional branded product candidates for treatment of cardiovascular and infectious diseases.* We plan to identify, develop and commercialize product candidates that we believe allow us to demonstrate value to patients and the healthcare system and that have large market potential. We intend to identify opportunities where existing pharmaceutical products currently require IV delivery in expensive care settings and where utilizing our proprietary technology could significantly reduce costs and improve quality of care for patients. We plan to leverage our sales force and Medicare-focused account teams that we are building to commercialize Furoscix, if approved, and for the launch of additional branded products.
- *Establish commercial collaborations outside the United States for our product candidates, if approved.* We plan to establish collaborations to commercialize our products, if approved by the relevant regulatory authorities, outside of the United States. We may also engage third-party intermediaries to sell and distribute our branded products, if approved, to hospitals and healthcare providers in foreign markets and thereby expand our global footprint and customer landscape.

## **Intellectual Property**

We own a formulation patent family specific to our subcutaneous formulation of furosemide. This patent family includes one pending U.S. patent application and 13 pending patent applications in regions or countries outside of the United States. Patents that issue from this patent family are generally expected to expire in 2034, excluding any additional term for patent term adjustment. In addition, we own a patent family directed to methods of treating infections and other diseases using a tri-phasic or a bi-phasic dosing regimen of a time-dependent antibiotic, which methods can include subcutaneous delivery via a micropump or patch pump device. This patent family includes one pending U.S. patent application and two pending patent applications in regions or countries outside of the United States.

## **Risks Associated with Our Business**

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

- We have a history of significant operating losses and expect to incur significant and increasing losses for the foreseeable future; we may never achieve or maintain profitability.
- We are heavily dependent on the success of our product candidates and, in particular, our lead product candidate, Furoscix. We cannot give any assurance that we will receive regulatory approval for this product candidate or any other product candidates, which is necessary before they can be commercialized.
- If we are not able to obtain required regulatory approvals, we will not be able to commercialize Furoscix, and our ability to generate revenue will be materially impaired.

- We intend to utilize the 505(b)(2) pathway for the regulatory approval of Furoscix, and an NDA submitted under Section 505(b)(2) may subject us to a patent infringement lawsuit that would delay or prevent the review or approval of Furoscix.
- The commercial success of Furoscix and any other product candidates, if approved, depends upon attaining market acceptance by hospital networks, physicians, patients, third-party payers and the medical community.
- If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell Furoscix, if approved, we may be unable to generate any revenue.
- If we fail to produce Furoscix, if approved, in the volumes that we require on a timely basis, we may face delays in our commercialization efforts.
- If we are unable to achieve and maintain coverage and adequate levels of reimbursement for our product or product candidates, if approved, their commercial success may be severely limited.
- We may be subject to product liability lawsuits related to our product candidates, if approved, which could divert our resources, result in substantial liabilities and reduce the commercial potential of our product candidates.
- The commencement and completion of clinical trials can be delayed or prevented for a number of reasons. Clinical failure may occur at any stage of clinical development, and the results of our clinical trials may not support our proposed indications for our product candidates.
- Our failure to successfully identify, develop and market additional product candidates could impair our ability to grow.
- If we fail to comply with our obligations under our existing and any future intellectual property license with third parties, we could lose license rights that are important to our business.
- Our success depends on our ability to protect our intellectual property and proprietary technology, as well as the ability of our collaborators to protect their intellectual property and proprietary technology.
- We depend heavily on our executive officers, directors and principal consultants and the loss of their services would materially harm our business.

### **Corporate History**

We were formed as a limited liability company under the laws of the State of Delaware in February 2013 under the name scPharmaceuticals LLC. We converted to a corporation under the laws of the State of Delaware in March 2014 under the name scPharmaceuticals Inc. Our executive offices are located at 2400 District Avenue, Suite 310, Burlington, Massachusetts 01830, and our telephone number is (617) 517-0730. Our website address is [www.scpharmaceuticals.com](http://www.scpharmaceuticals.com). We do not incorporate the information on or accessible through our website into this prospectus, and you should not consider any information on, or that can be accessed through, our website as part of this prospectus.

We own various U.S. federal trademark registrations and applications and unregistered trademarks, including our company name. The scPharmaceuticals logo is our trademark and we own pending trademark applications for scPharmaceuticals, sc2Wear, and Furoscix. The other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and trade names in this prospectus are referred to without the symbols ® and ™, but such references should not be construed as any indicator that their respective owners will not assert, to the fullest extent under applicable law, their rights thereto.

Except as otherwise indicated herein or as the context otherwise requires, references in this prospectus to “scPharmaceuticals,” “the company,” “we,” “us” and “our” refer to scPharmaceuticals Inc.

### **Implications of Being an Emerging Growth Company**

We qualify as an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, as amended. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable generally to public companies. These provisions include:

- Only two years of audited financial statements in addition to any required unaudited interim financial statements with correspondingly reduced “Management’s Discussion and Analysis of Financial Condition and Results of Operations” disclosure;
- Reduced disclosure about our executive compensation arrangements;
- No advisory votes on executive compensation or golden parachute arrangements;
- Exemption from the auditor attestation requirement in the assessment of our internal control over financial reporting; and
- An exemption from new or revised financial accounting standards until they would apply to private companies and from compliance with any new requirements adopted by the Public Company Accounting Oversight Board requiring mandatory audit firm rotation.

We may take advantage of these exemptions for up to five years or such earlier time that we are no longer an emerging growth company. We would cease to be an emerging growth company on the date that is the earliest of (i) the last day of the fiscal year in which we have total annual gross revenues of \$1.07 billion or more; (ii) the last day of our fiscal year following the fifth anniversary of the date of the completion of this offering; (iii) the date on which we have issued more than \$1.07 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under the rules of the Securities and Exchange Commission, or SEC. We may choose to take advantage of some but not all of these exemptions. We have taken advantage of reduced reporting requirements in this prospectus. Accordingly, the information contained herein may be different from the information you receive from other public companies in which you hold stock. We have irrevocably elected to “opt out” of the exemption for the delayed adoption of certain accounting standards and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.



## THE OFFERING

Common stock offered by us	shares
Common stock to be outstanding immediately after this offering	shares (additional shares in full) shares if the underwriters exercise their option to purchase
Underwriters' option to purchase additional shares	We have granted a 30-day option to the underwriters to purchase up to an aggregate of additional shares of common stock from us at the public offering price, less underwriting discounts and commissions on the same terms as set forth in this prospectus.
Use of proceeds	We estimate that we will receive net proceeds from the sale of shares of our common stock in this offering of approximately \$ million, or \$ million if the underwriters exercise their option to purchase additional shares in full, assuming an initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We intend to use the net proceeds from this offering, together with our existing unrestricted cash, for: pre-commercial planning and commercialization of Furoscix, if approved; automation necessary to increase manufacturing capacity for our sc2Wear Infusor; research and development, including for our infectious diseases program; and the remainder, if any, for working capital and other general corporate purposes. For a more complete description of our intended use of the proceeds from this offering, see "Use of Proceeds."
Risk factors	You should carefully read the "Risk Factors" section of this prospectus for a discussion of factors that you should consider before deciding to invest in our common stock.
Proposed NASDAQ Global Market symbol	"SCPH"

The number of shares of our common stock to be outstanding after this offering is based on 7,740,881 shares of our common stock outstanding as of June 30, 2017 (of which 8,752 shares are subject to a right of repurchase by us pursuant to a stock restriction agreement between us and the holders of such shares), and gives effect to the conversion of all of our outstanding preferred stock into 72,712,255 shares of our common stock immediately prior to the closing of this offering, and excludes:

- 7,557,601 shares of common stock issuable upon the exercise of stock options outstanding as of June 30, 2017, with a weighted average exercise price of \$0.66 per share;
- shares of common stock issuable upon the exercise of stock options granted after June 30, 2017, with a weighted average exercise price of \$ per share;
- an additional 1,144,836 shares of common stock available for future issuance under our 2014 Stock Incentive Plan as of June 30, 2017; and
- an additional shares of common stock that will be made available for future issuance under our 2017 Stock Option and Incentive Plan upon the effectiveness of the registration statement of which this prospectus forms a part.

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Unless otherwise indicated, all information in this prospectus reflects or assumes the following:

- the filing of our amended and restated certificate of incorporation and the effectiveness of our amended and restated by-laws upon the closing of this offering;
- the conversion of all of our outstanding shares of preferred stock into an aggregate of 72,712,255 shares of common stock upon the closing of this offering;
- no exercise of outstanding options after June 30, 2017;
- a 1-for- reverse split of our common stock effected on ; and
- no exercise by the underwriters of their option to purchase up to additional shares of common stock in this offering.

## SUMMARY FINANCIAL DATA

The summary statements of operations data presented below for the years ended December 31, 2015 and 2016 are derived from our audited financial statements included elsewhere in this prospectus. The summary statements of operations data for the six months ended June 30, 2016 and 2017 and our balance sheet data as of June 30, 2017 are derived from our unaudited interim condensed financial statements included elsewhere in this prospectus. The unaudited interim condensed financial statements were prepared on a basis consistent with our audited financial statements and reflect, in the opinion of management, all adjustments of a normal recurring nature that are necessary for the fair presentation of our financial position as of June 30, 2017 and our results of operations for the six months ended June 30, 2016 and 2017. Our historical results are not necessarily indicative of the results that may be expected in any future period, and the results for the six months ended June 30, 2017 are not necessarily indicative of results to be expected for the full year ending December 31, 2017, or any other period.

The following summary financial data should be read with "Selected Financial Data," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus. The summary financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the financial statements and related notes included elsewhere in this prospectus.

(in thousands, except share and per share data)	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	2015	2016	2016	2017
			(unaudited)	
<b>Statements of operations data:</b>				
Operating expenses:				
Research and development	\$ 8,267	\$ 11,856	\$ 5,222	\$ 7,030
General and administrative	2,577	6,054	2,951	4,448
Total operating expenses	10,844	17,910	8,173	11,478
Loss from operations	(10,844)	(17,910)	(8,173)	(11,478)
Interest expense, net	—	(6,505)	(1,819)	(37)
Fair value adjustments to Series A purchase rights	394	—	—	—
Other (expense) income, net	(68)	38	17	67
Net loss attributable to common stockholders	\$ (10,518)	\$ (24,377)	\$ (9,975)	\$ (11,448)
Net loss per share attributable to common stockholders, basic and diluted (1)	\$ (1.92)	\$ (3.48)	\$ (1.57)	\$ (1.49)
Weighted-average common shares outstanding, basic and diluted (1)	5,479,296	6,998,254	6,334,471	7,695,927
Pro forma net loss per share attributable to common stockholders, basic and diluted (unaudited) (1)		\$ (0.85)		\$ (0.14)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited) (1)		28,647,927		80,408,182

(1) See Notes 2 and 3 to our audited financial statements and Notes 2 and 4 to our unaudited interim condensed financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share, basic and diluted pro forma net loss per share and the shares used in computing basic and diluted net loss per share and basic and diluted pro forma net loss per share.

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(in thousands)	AS OF JUNE 30, 2017		PRO FORMA
	ACTUAL	PRO FORMA (1)	AS ADJUSTED (2)
<b>Balance sheet data:</b>			
Cash and restricted cash (3)	\$ 38,081	\$ 37,681	\$
Working capital (4)	34,421	34,021	
Total assets	39,329	38,929	
Term loan	9,308	9,308	
Derivative liability	392	—	
Convertible preferred stock	73,094	—	
Accumulated deficit	(54,647)	(54,655)	
Total stockholders' (deficit) equity	(48,181)	24,905	

(1) The pro forma balance sheet data give effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2017 into an aggregate of 72,712,255 shares of common stock and (ii) payment by us of an aggregate of \$400,000 pursuant to our Exit Fee Agreement with Solar Capital Ltd. and Silicon Valley Bank, in each case immediately prior to the closing of this offering.

(2) The pro forma as adjusted balance sheet data give effect to: (i) the pro forma adjustments set forth in footnote (1) above and (ii) the sale and issuance of shares of common stock in this offering, at the initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. A \$1.00 increase (decrease) in the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover of this prospectus, would increase (decrease) the pro forma as adjusted amount of each of cash and restricted cash, working capital, total assets and total stockholders' equity by approximately \$ million, assuming that the number of shares offered by us, as set forth on the cover of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares offered by us in this offering would increase (decrease) the pro forma as adjusted amount of each of cash and restricted cash, working capital, total assets and total stockholders' equity by approximately \$ million, assuming the assumed initial public offering price remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(3) Includes \$182,000 of restricted cash related to a letter of credit issued as a security deposit in connection with our office lease in Burlington, Massachusetts.

(4) We define working capital as current assets less current liabilities.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the following risks and uncertainties, together with all other information in this prospectus, including our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," before investing in our common stock. Any of the risk factors we describe below could adversely affect our business, financial condition or results of operations. The market price of our common stock could decline if one or more of these risks or uncertainties actually occur, causing you to lose all or part of the money you paid to buy our common stock. Additional risks that we currently do not know about or that we currently believe to be immaterial may also impair our business. Certain statements below are forward-looking statements. See "Special Note Regarding Forward-Looking Statements" in this prospectus.*

### **Risks Related to Our Business, Financial Position and Need for Additional Capital**

***We have a history of significant operating losses and expect to incur significant and increasing losses for the foreseeable future; we may never achieve or maintain profitability.***

We do not expect to generate revenue or profitability that is necessary to finance our operations in the short term. We incurred net losses of \$10.5 million and \$24.4 million for the years ended December 31, 2015 and 2016, respectively, and \$10.0 million and \$11.4 million for the six months ended June 30, 2016 and 2017, respectively. In addition, our accumulated deficit as of December 31, 2015 and 2016 was \$18.8 million and \$43.2 million, respectively, and \$54.6 million as of June 30, 2017. To date, we have not commercialized any products or generated any revenues from the sale of products, and absent the realization of sufficient revenues from product sales, if any, of our current or future product candidates, if approved, we may never attain profitability in the future. We have devoted substantially all of our financial resources and efforts to date to research and development, including preclinical studies and our clinical trials, and preparation for commercialization of our lead product candidate, Furoscix, if approved.

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

- pursue regulatory approval of Furoscix;
- establish sales, marketing, distribution and other commercial infrastructure and manufacture commercial inventory in anticipation of the potential regulatory approval of Furoscix;
- initiate and continue research, preclinical and clinical development efforts for any additional or future product candidates, including subcutaneous ceftriaxone;
- seek to identify additional product candidates;
- seek regulatory and marketing approvals for other product candidates that successfully complete clinical trials;
- manufacture larger quantities of product candidates for clinical development and, potentially, commercialization;
- maintain, expand and protect our intellectual property portfolio;
- hire and retain additional personnel, such as clinical, quality control, commercial and scientific personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and help us comply with our obligations as a public company; and
- add equipment and physical infrastructure to support our research and development.

Our ability to become and remain profitable depends on our ability to generate revenue. We do not expect to generate significant revenue unless and until we are able to obtain marketing approval for, and successfully commercialize, Furoscix or any other product candidates that we may develop. Successful commercialization will require achievement of key milestones, including completing clinical trials of our product candidates that are under clinical development, obtaining marketing approval for our product candidates, manufacturing, marketing and selling those products for which we, or any of our future collaborators, may obtain marketing approval, satisfying any post-marketing requirements and obtaining reimbursement for our products from private insurance or government payers. Because of the uncertainties and risks associated with these activities, we are unable to accurately predict the

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timing and amount of revenues, and if or when we might achieve profitability. We and any future collaborators may never succeed in these activities and, even if we or any future collaborators do, we may never generate revenues that are large enough for us to achieve profitability. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

Our failure to become and remain profitable would depress the market price of our common stock and could impair our ability to raise capital, expand our business, diversify our product offerings or continue our operations. If we continue to suffer losses as we have in the past, investors may not receive any return on their investment and may lose their entire investment.

***We have not generated any revenue from Furoscix and may never be profitable.***

Our ability to become profitable depends upon our ability to generate revenue. To date, we have not generated any revenue from Furoscix, and we do not know when, or if, we will generate any revenue. We do not expect to generate significant revenue unless or until we obtain marketing approval of, and begin to sell, Furoscix. Our ability to generate revenue depends on a number of factors, including, but not limited to, our ability to:

- obtain marketing approval for Furoscix;
- set an acceptable price for Furoscix, if approved;
- obtain commercial quantities of Furoscix, if Furoscix is approved, at acceptable cost levels;
- commercialize Furoscix, if approved, by developing our own sales force for commercialization in the United States or in other key territories by entering into partnership or co-promotion arrangements with third parties;
- obtain third-party coverage or adequate reimbursement for Furoscix, if approved;
- achieve market acceptance of Furoscix, if approved, in the medical community and with third-party payers, including placement in accepted clinical guidelines for the conditions for which Furoscix is intended to target; and
- delay the introduction by third parties of alternate versions of Furoscix, if approved.

If Furoscix is approved for commercial sale, we expect to incur significant sales and marketing costs as we prepare for its commercialization. Even if we receive marketing approval and expend these costs, Furoscix may not be a commercially successful device-drug combination. We may not achieve profitability soon after generating product sales, if ever. If we are unable to generate product revenue, we will not become profitable and may be unable to continue operations without continued funding.

***We may need additional funding and may be unable to raise capital when needed, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts.***

Developing our product programs is a time-consuming, expensive and uncertain process that takes years to complete. If Furoscix or any of our other product candidates are approved, we may incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we may be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We plan to use the net proceeds of this offering primarily for pre-commercial planning and commercialization of Furoscix, if approved, automation necessary to increase capacity for our sc2Wear Infusor, research and development, including for our infectious diseases program and for working capital and other general corporate purposes. We will be required to expend significant funds in order to commercialize Furoscix, as well as other product candidates we may seek to develop. In any event, the net proceeds of this offering and our existing unrestricted cash may not be sufficient to fund all of the efforts that we plan to undertake, including the commercialization of Furoscix, if approved, and development of any of our other product candidates. Accordingly, we may be required to obtain further funding through public or private equity offerings, debt financings, royalty-based financing arrangements, collaborations and licensing arrangements or other sources. We do not have any committed external source of funds. Adequate additional financing may not be available to us on acceptable terms, or at all. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy.

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We believe that the net proceeds from this offering, together with our existing unrestricted cash as of June 30, 2017, will enable us to fund our operating expenses and capital expenditure requirements at least through . Our estimate may prove to be wrong, and we may use our available capital resources sooner than we currently expect. Further, changing circumstances, some of which may be beyond our control, may cause us to consume capital significantly faster than we currently anticipate, and we may need to seek additional funds sooner than planned. Our future funding requirements, both short-term and long-term, will depend on many factors, including:

- the outcome, timing and costs of seeking regulatory approvals for Furoscix and other product candidates that we may develop;
- the costs of commercialization activities for Furoscix and any other of our product candidates that receive marketing approval, including the costs and timing of establishing product sales, marketing, distribution and manufacturing capabilities;
- subject to receipt of marketing approval, revenue, if any, received from commercial sales of Furoscix or any other of our current and future product candidates;
- the pricing and reimbursement of Furoscix, if approved, and of other product candidates that may be approved;
- the number of future product candidates that we pursue and their development requirements;
- the scope, progress, timing, costs and results of clinical trials of, and research and preclinical development efforts for, our other product candidates;
- our ability to enter into, and the terms and timing of, any collaborations, licensing or other arrangements;
- our headcount growth and associated costs as we establish a commercial infrastructure and continue our research and development activities;
- the costs of preparing, filing and prosecuting patent applications, maintaining and protecting our intellectual property rights including enforcing and defending intellectual property related claims; and
- the costs of operating as a public company.

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

We expect our expenses to increase in connection with our planned operations. To the extent that we raise additional capital through the sale of common stock, convertible securities or other equity securities, your ownership interest may be diluted, and the terms of these securities could include liquidation or other preferences and anti-dilution protections that could adversely affect your rights as a common stockholder. In addition, royalty-based financing or debt financing, if available, may result in our relinquishing rights to valuable future revenue streams or fixed payment obligations and may involve agreements that include restrictive covenants that limit our ability to take specific actions, such as incurring additional debt, making capital expenditures, creating liens, redeeming stock or declaring dividends, that could adversely impact our ability to conduct our business. In addition, securing financing could require a substantial amount of time and attention from our management and may divert a disproportionate amount of their attention away from day-to-day activities, which may adversely affect our management's ability to oversee the commercialization of Furoscix, if approved, and the development of our other product candidates.

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

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

We commenced operations in 2013. Our operations to date have been limited to financing and staffing our company, developing our technology and conducting preclinical research and clinical trials for our product candidates. We only recently submitted a new drug application, or NDA, for Furoscix in August 2017. We have not yet demonstrated an ability to obtain marketing approvals, manufacture a commercial-scale product, or arrange for a

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third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. Accordingly, you should consider our prospects in light of the costs, uncertainties, delays and difficulties frequently encountered by companies prior to regulatory approval of any product candidates, especially pharmaceutical companies such as ours. Any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully commercializing pharmaceutical products.

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

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

***We may not have cash available to us in an amount sufficient to enable us to make interest or principal payments on our indebtedness when due.***

In May 2017, we entered into a secured credit facility pursuant to a loan and security agreement with Solar Capital Ltd. and Silicon Valley Bank, providing for term loans of up to an aggregate of \$10.0 million. All obligations under our secured credit facility are secured by substantially all of our existing property and assets (excluding our intellectual property assets), subject to certain exceptions. This debt financing may create additional financial risk for us, particularly if our business or prevailing financial market conditions are not conducive to paying off or refinancing our outstanding debt obligations at maturity.

Failure to satisfy our current and future debt obligations, including covenants to take or avoid specific actions, under our secured credit facility could result in an event of default and, as a result, our lenders could accelerate all of the amounts due. In the event of an acceleration of amounts due under our secured credit facility as a result of an event of default, we may not have sufficient funds or may be unable to arrange for additional financing to repay our indebtedness while still pursuing our current business strategy. In addition, our lenders could seek to enforce their security interests in any collateral securing such indebtedness.

### **Risks Related to the Regulatory Approval and Commercialization of Our Lead Product Candidate, Furoscix**

***We are heavily dependent on the success of our product candidates and, in particular, our lead product candidate, Furoscix. We cannot give any assurance that we will receive regulatory approval for this product candidate or any other product candidates, which is necessary before they can be commercialized.***

To date, we have expended significant time, resources and effort on the development of our product candidates, and a substantial majority of our resources are now focused on seeking marketing approval for and planning for potential commercialization of our most advanced product candidate, Furoscix, in the United States. Our business and future success are substantially dependent on our ability to successfully and timely obtain regulatory approval for and commercialize Furoscix for the treatment of decompensated heart failure. All of our other product candidates are in earlier stages of development and subject to the risks of failure inherent in developing drug products. Accordingly, our ability to generate significant product revenues in the near term will depend almost entirely on our ability to successfully obtain marketing approval for and commercialize Furoscix.

We are not permitted to market any of our product candidates in the United States until we receive approval of an NDA from the FDA, or in any foreign jurisdiction until we receive the requisite approvals from such jurisdiction. We only recently submitted our NDA for Furoscix in August 2017, and unless it obtains regulatory approval, it may never be commercialized. Satisfaction of regulatory requirements can be protracted, is dependent upon the type, complexity and novelty of the product candidate and requires the expenditure of substantial resources. For example, Furoscix is considered to be a drug-device combination product by the FDA, and its NDA thus will require review and coordination by FDA's drug and device centers prior to approval. We cannot predict whether we will obtain regulatory approval to commercialize Furoscix or any of our other product candidates, and we cannot, therefore, predict the timing of any future revenues from these product candidates, if any. Any delay or setback in the regulatory approval or commercialization of any of these product candidates will adversely affect our business.



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Our ability to successfully commercialize any of our products candidates will depend, among other things, on our ability to:

- receive marketing approvals from the FDA and similar foreign regulatory authorities;
- produce, through a validated process, sufficiently large quantities of our product candidates to permit successful commercialization;
- establish and maintain commercial manufacturing arrangements with third-party manufacturers;
- build and maintain sales, distribution and marketing capabilities sufficient to launch commercial sales of our product candidates;
- successfully complete our clinical trials for our product candidates under clinical development;
- establish collaborations with third parties for the commercialization of our product candidates in countries outside the United States and such collaborators' ability to obtain regulatory and reimbursement approvals in such countries;
- secure acceptance of our product candidates from physicians, healthcare payers, patients and the medical community; and
- manage our spending as costs and expenses increase due to clinical trials, regulatory approvals and commercialization.

There are no guarantees that we will be successful in completing these tasks. If we are unable to successfully complete these tasks, we may not be able to commercialize Furoscix or any of our other product candidates in a timely manner, or at all, in which case we may be unable to generate sufficient revenues to sustain and grow our business.

***If we are not able to obtain required regulatory approvals, we will not be able to commercialize Furoscix, and our ability to generate revenue will be materially impaired.***

Furoscix and the activities associated with its development and commercialization, including its design, research, testing, manufacture, safety, efficacy, recordkeeping, labeling, packaging, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and similar regulatory authorities outside the United States. Failure to obtain marketing approval for Furoscix will prevent us from commercializing it.

The time required to obtain approval by the FDA and comparable foreign authorities is unpredictable but typically takes many years following the commencement of clinical trials and depends upon numerous factors, including the substantial discretion of the regulatory authorities. In addition, approval policies, regulations, or the type and amount of clinical data necessary to gain approval may change during the course of a product candidate's clinical development and may vary among jurisdictions. We have not received approval from regulatory authorities to market any product candidate in any jurisdiction, and it is possible that neither Furoscix nor any product candidates we may seek to develop in the future will ever obtain the appropriate regulatory approvals necessary for us to commence product sales.

The FDA has substantial discretion in the drug approval process, including the ability to delay, limit or deny approval of a product candidate for many reasons. For example the FDA:

- could determine that we cannot rely on the Section 505(b)(2) regulatory pathway for Furoscix;
- could determine that the information provided by us was inadequate, contained clinical deficiencies or otherwise failed to demonstrate the safety and effectiveness of Furoscix or any of our product candidates for any indication;
- may not find the data from bioequivalence studies and/or clinical trials sufficient to support the submission of an NDA or to obtain marketing approval in the United States, including any findings that the clinical and other benefits of our product candidates outweigh their safety risks;
- may disagree with our trial design or our interpretation of data from preclinical studies, bioequivalence studies and/or clinical trials, or may change the requirements for approval even after it has reviewed and commented on the design for our trials;

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- may determine that there are unacceptable risks associated with the device component of Furoscix or that there are deficiencies with the information submitted to demonstrate the safety, effectiveness and reliability of the device component;
- may determine that we have identified the wrong listed drug or drugs or that approval of our Section 505(b)(2) application for Furoscix or any of our other product candidates is blocked by patent or non-patent exclusivity of the listed drug or drugs or of other previously-approved drugs with the same conditions of approval as Furoscix (e.g., subcutaneous injection);
- may identify deficiencies in the manufacturing processes or facilities of third-party manufacturers with which we enter into agreements for the manufacturing of our product candidates;
- may approve our product candidates for fewer or more limited indications than we request, or may grant approval contingent on the performance of costly post-approval clinical trials;
- may change its approval policies or adopt new regulations; or
- may not approve the labeling claims that we believe are necessary or desirable for the successful commercialization of our product candidates.

For example, in our Phase 3 product design clinical validation, or PDCV, study, Furoscix did not meet its specified primary endpoints of the absence of major product and major system related failures leading to inadequate delivery of drug product, due to four cases in which the Furoscix administered doses fell below the predefined criteria. We discussed these data with the FDA at a pre-NDA meeting in June 2017. As part of our NDA submission, the FDA requested that a high-level safety assurance case be submitted just prior to the NDA submission, which request we have complied with, and that certain updated risk analyses be submitted concurrently with our NDA. In addition, the FDA requested that our NDA include an assessment of the data generated from all of our studies, and stated that our NDA appeared capable of supporting a review. However, there can be no assurance that the FDA will not require us to undertake additional activities, such as conducting additional studies or performing other analyses before approving Furoscix.

Even if we were to obtain approval, regulatory authorities may approve any of our product candidates for fewer or more limited indications than we request, may not approve the price we intend to charge for our products, may grant approval contingent on the performance of costly post-marketing clinical trials, may impose distribution or use restrictions, or may approve a product candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that product candidate. Any of the foregoing scenarios could materially harm the commercial prospects for our product candidates.

In addition, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and receive compensation in connection with such services. Under certain circumstances, we may be required to report some of these relationships to the FDA or other regulatory authorities. The FDA or other regulatory authorities may conclude that a financial relationship between us and a principal investigator has created a conflict of interest or otherwise affected interpretation of the study. The FDA or other regulatory authorities may therefore question the integrity of the data generated at the applicable clinical trial site and the utility of the clinical trial itself may be jeopardized. This could result in a delay in approval or rejection of our marketing applications by the FDA or other regulatory authorities, as the case may be, and may ultimately lead to the denial of marketing approval of one or more of our product candidates.

A number of academic institutions have or are also currently conducting and sponsoring clinical trials relating to Furoscix, including the Johns Hopkins Heart Failure Bridge Clinic and the Duke Clinical Research Institute. We do not control the design or administration of investigator-sponsored trials, and the investigator-sponsored trials could, depending on the actions of such third parties, jeopardize the validity of the clinical data generated, identify significant concerns with respect to Furoscix that could impact our findings or clinical trials, and adversely affect our ability to obtain marketing approval from the FDA or other applicable regulatory authorities.

One of the investigator sponsored trials of our product candidates is currently ongoing. To the extent the results of this or other investigator sponsored trials are inconsistent with, or different from, the results of our company-sponsored trials or raise concerns regarding Furoscix, the FDA or a foreign regulatory authority may question the results of the company-sponsored trial, or subject such results to greater scrutiny than it otherwise would. In these

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circumstances, the FDA or such foreign regulatory authorities may require us to obtain and submit additional clinical data, which could delay clinical development or marketing approval of Furoscix.

We expect to rely on third-party consultants to assist us in filing and supporting the applications necessary to gain marketing approvals. Securing marketing approval requires the submission of extensive preclinical and clinical data and supporting information to regulatory authorities for each therapeutic indication to establish Furoscix's safety and efficacy for that indication. Securing marketing approval also requires the submission of information about the manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. If we cannot successfully obtain approval of or commercialize Furoscix, our business will be materially harmed and your investment will be adversely affected.

***We intend to utilize the 505(b)(2) pathway for the regulatory approval of Furoscix. Final marketing approval of Furoscix or any of our other product candidates by the FDA or other regulatory authorities may be delayed, limited, or denied, any of which would adversely affect our ability to generate operating revenues.***

We are pursuing a regulatory pathway pursuant to Section 505(b)(2) of the Federal Food, Drug and Cosmetic Act, or FDCA, for the approval of Furoscix, which allows us to rely on our submissions on existing clinical data for the drug. Section 505(b)(2) was enacted as part of the Drug Price Competition and Patent Term Restoration Act of 1984, or the Hatch-Waxman Amendments, and permits the submission of an NDA where at least some of the information required for approval comes from preclinical studies or clinical trials not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The FDA interprets Section 505(b)(2) of the FDCA to permit the applicant to rely upon the FDA's previous findings of safety and efficacy for an approved product. The FDA requires submission of information needed to support any changes to a previously approved drug, such as published data or new studies conducted by the applicant or clinical trials demonstrating safety and efficacy. The FDA could refuse to file our NDA submissions, request additional information before accepting our submissions for filing or require additional information to sufficiently demonstrate safety and efficacy to support approval.

If the FDA does not allow us to pursue the Section 505(b)(2) regulatory pathway as anticipated, we may need to conduct additional clinical trials, provide additional data and information, and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for these product candidates, and the complications and risks associated with these product candidates, would likely substantially increase. Moreover, an inability to pursue the Section 505(b)(2) regulatory pathway would likely result in new competitive products reaching the market more quickly than our product candidates, which would likely materially adversely impact our competitive position and prospects. Even if we are allowed to pursue the Section 505(b)(2) regulatory pathway, we cannot assure you that our product candidates will receive the requisite approvals for commercialization.

Notwithstanding the approval of many products by the FDA pursuant to Section 505(b)(2), over the last few years some pharmaceutical companies and others have objected to the FDA's interpretation of Section 505(b)(2) to allow reliance on the FDA's prior findings of safety and effectiveness. If the FDA changes its interpretation of Section 505(b)(2), or if the FDA's interpretation is successfully challenged in court, this could delay or even prevent the FDA from approving any Section 505(b)(2) application that we submit. Moreover, the FDA recently adopted an interpretation of the three-year exclusivity provisions whereby a 505(b)(2) application can be blocked by exclusivity even if does not rely on the previously-approved drug that has exclusivity (or any safety or effectiveness information regarding that drug). Under the FDA's new interpretation, the approval of Furoscix may be blocked by exclusivity awarded to a previously-approved drug product that shares certain innovative features with Furoscix, even if our 505(b)(2) application does not identify the previously-approved drug product as a listed drug or rely upon any of its safety or efficacy data. Any failure to obtain regulatory approval of our product candidates would significantly limit our ability to generate revenues, and any failure to obtain such approval for all of the indications and labeling claims we deem desirable could reduce our potential revenues.

***Additional time may be required to obtain regulatory approval for our product candidates because they are combination products.***

Because our product candidates are designed to be self-administered subcutaneously by patients, they are drug-device combination products that require coordination within the FDA and similar foreign regulatory agencies for review of their device and drug components. Although the FDA and similar foreign regulatory agencies have systems

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in place for the review and approval of combination products such as ours, we may experience delays in the development and commercialization of our product candidates due to regulatory timing constraints and uncertainties in the product development and approval process.

***The commercial success of Furoscix and any other product candidates, if approved, depends upon attaining market acceptance by hospital networks, physicians, patients, third-party payers and the medical community.***

Even if our current and future product candidates are approved for commercialization by the appropriate regulatory authorities, physicians may not prescribe our approved product candidates, in which case we would not generate the revenues we anticipate. Market acceptance of any of our product candidates by physicians, patients, third-party payers and the medical community depends on, among other things:

- our ability to provide acceptable evidence of safety and efficacy, at least equivalent to IV-level treatments;
- perceived advantages of our product candidates over alternative treatments, such as oral and IV formulations;
- relative convenience as well as ease of administration of our product candidates compared to existing treatments;
- any labeling restrictions placed upon each product candidate in connection with its approval;
- the prevalence and severity of the adverse side effects of each of our product candidates;
- the clinical indications for which each of our product candidates is approved, including any potential additional restrictions placed upon each product candidate in connection with its approval;
- prevalence of the disease or condition for which each product candidate is approved;
- the cost of treatment in relation to alternative treatments, including generic products;
- the extent to which each product is approved for use at, or included on formularies of, hospitals and managed care organizations;
- any negative publicity related to our or our competitors' products or other formulations of products that we administer subcutaneously, including as a result of any related adverse side effects;
- the effectiveness of our or any current or future collaborators' sales, marketing and distribution strategies;
- pricing and cost effectiveness; and
- the availability of coverage and adequate reimbursement by third parties.

Additionally, if Furoscix or any of our other product candidates receives marketing approval and we or others later identify undesirable or unacceptable side effects caused by such products, a number of potentially significant negative consequences could result, including:

- regulatory authorities may withdraw approvals of such products, require us to take our approved product off the market or ask us to voluntarily remove the product from the market;
- regulatory authorities may require the addition of labeling statements, specific warnings, a contraindication or field alerts to physicians and pharmacies;
- regulatory authorities may impose conditions under a risk evaluation and mitigation strategy, or REMS, including distribution of a medication guide to patients outlining the risks of such side effects or imposing distribution or use restrictions;
- we may be required to change the way the product is administered, conduct additional clinical trials or change the labeling of the product;
- we may be subject to limitations on how we may promote the product;
- sales of the product may decrease significantly;
- we may be subject to litigation or product liability claims; and
- our reputation may suffer.

Any of these events could prevent us, our collaborators or our potential future partners from achieving or maintaining market acceptance of the affected product or could substantially increase commercialization costs and expenses, which in turn could delay or prevent us from generating significant revenue from the sale of our products.

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Successful commercialization will also depend on whether we can adequately protect against and effectively respond to any claims by holders of patents and other intellectual property rights that our products infringe upon their rights, whether any unanticipated adverse effects or unfavorable publicity develops in respect of our products, as well as the emergence of new or existing products as competition, which may be proven to be more clinically effective and cost-effective.

***If we are unable to establish sales and marketing capabilities or enter into agreements with third parties to market and sell our lead product candidate, Furoscix, if approved, we may be unable to generate any revenue.***

We do not have sufficient infrastructure for the sales, marketing or distribution of our product candidates, and the cost of establishing and maintaining such an organization may exceed the benefits of doing so. In order to market Furoscix, if approved by the FDA, we must build our sales, marketing, managerial, and other non-technical capabilities or make arrangements with third parties to perform these services.

We intend to establish a sales force to promote Furoscix to hospital networks, healthcare providers and third-party payers in the United States, if we obtain FDA approval. There are significant expenses and risks involved with establishing our own sales and marketing capabilities, including our ability to hire, retain and appropriately 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. Any failure or delay in the development of our internal sales, marketing and distribution capabilities could delay any product launch, which would adversely impact the commercialization of Furoscix. For example, if we recruit any sales representatives or establish marketing capabilities prior to the commercial launch of Furoscix and the commercial launch is delayed or does not occur for any reason, we would have prematurely or unnecessarily incurred these commercialization expenses. This may be costly, and our investment would be lost if we cannot retain or reposition our sales and marketing personnel.

We cannot be sure that we will be able to hire a sufficient number of sales representatives or that they will be effective at promoting Furoscix. In addition, we will need to commit significant additional management and other resources to establish and grow our sales organization. We may not be able to achieve the necessary development and growth in a cost-effective manner or realize a positive return on our investment. We will also have to compete with other companies to recruit, hire, train and retain sales and marketing personnel.

Factors that may inhibit our efforts to commercialize our product candidates on our own include:

- our inability to recruit, train and retain adequate numbers of effective sales and marketing personnel;
- the inability of sales personnel to obtain access to physicians or attain adequate numbers of physicians to prescribe any drugs; and
- unforeseen costs and expenses associated with creating an independent sales and marketing organization.

If we are unable to establish adequate sales, marketing and distribution capabilities, whether independently or with third parties, our business, results of operations, financial condition and prospects will be materially adversely impacted.

Beyond Furoscix, we intend to leverage the sales and marketing capabilities that we establish for Furoscix to commercialize additional product candidates for the treatment of cardiovascular and infectious diseases, if approved by the FDA, in the United States. If we are unable to do so for any reason, we would need to expend additional resources to establish commercialization capabilities for those product candidates, if approved.

In addition, we intend to establish collaborations to commercialize our product candidates, if approved by the relevant regulatory authorities, outside of the United States. Therefore, our future success will depend, in part, on our ability to enter into and maintain collaborative relationships for such efforts, the collaborator's strategic interest in the product and such collaborator's ability to successfully market and sell the product. We cannot assure you that we will be able to establish or maintain such collaborative arrangements, or if able to do so, that they will have effective sales forces. To the extent that we depend on third parties for marketing and distribution, any revenues we receive will depend upon the efforts of such third parties, and there can be no assurance that such efforts will be successful.

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***If we fail to produce Furoscix in the volumes that we require on a timely basis, we may face delays in our commercialization efforts, if it is approved.***

We do not currently own or operate manufacturing facilities for the production of any of our product candidates, including Furoscix. We currently depend on third parties to manufacture our product candidates, including the drug formulation and device components for Furoscix, and expect to continue to rely on such third parties to produce the final commercial product, if approved. Any future curtailment in the availability of materials could result in production or other delays with consequent adverse effects on us. In addition, because regulatory authorities must generally approve raw material sources for pharmaceutical products, changes in raw material suppliers may result in production delays or higher raw material costs.

The manufacture of pharmaceutical products requires significant expertise and capital investment, including the development of advanced manufacturing techniques and process controls. Pharmaceutical companies often encounter difficulties in production, particularly in scaling up production, of their products. These problems include manufacturing difficulties relating to production costs and yields, quality control, including stability of the product and quality assurance testing, shortages of qualified personnel, as well as compliance with federal, state and foreign regulations. If we are unable to demonstrate stability in accordance with commercial requirements, or if our manufacturers were to encounter difficulties or otherwise fail to comply with their obligations to us, our ability to obtain FDA approval and market our product candidates would be jeopardized. In addition, any delay or interruption in the supply of clinical trial supplies could delay or prohibit the completion of our bioequivalence and/or clinical trials, increase the costs associated with conducting our bioequivalence and/or clinical trials and, depending upon the period of delay, require us to commence new trials at significant additional expense or to terminate a trial.

Manufacturers of combination products need to comply with both pharmaceutical current good manufacturing practice requirements, or cGMPs, and medical device Quality System Regulations, or QSRs, enforced by the FDA through its facilities inspection programs. These requirements include, among other things, quality control, quality assurance and the maintenance of records and documentation. Manufacturers of our product candidates may be unable to comply with these cGMP and QSR requirements and with other FDA and foreign regulatory requirements. A 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. If the safety of any of our product candidates is compromised due to failure to adhere to applicable laws or for other reasons, we may not be able to successfully commercialize such product candidate, and we may be held liable for any injuries sustained as a result. Any of these factors could cause a delay in the commercialization of our product candidates, entail higher costs or even prevent us from effectively commercializing our product candidates.

***Even if we successfully obtain approval for, produce and distribute Furoscix, its success will be dependent on the proper use of Furoscix by patients, healthcare professionals and caregivers.***

While we have designed Furoscix to be operable by patients, caregivers and healthcare practitioners in a home environment after limited training, we cannot control the successful use of the product by patients, caregivers and healthcare professionals. We make use of packaging, instructions for use, quick reference guide and training video components to provide guidance to users of Furoscix, but we cannot ensure that the product will be used properly.

For example, in our Phase 3 PDCV study, there were four cases in which the Furoscix administered doses fell below the predefined criteria. One case was determined to be a dispensing failure, and the remaining three cases were determined to be caused by an undetected incomplete filling of the sc2Wear Infusor, likely due to user errors. As a result, the study did not meet its specified primary endpoints. We cannot ensure that improvements made to our quick reference guide and instructions for use will improve the ability of patients, healthcare professionals and caregivers to administer treatment using our device, if the product is approved. If we are not successful in promoting the proper use of Furoscix, if approved, by patients, healthcare professionals and caregivers, we may not be able to achieve market acceptance or effectively commercialize Furoscix.

***Even in the event of proper use of Furoscix by patients, healthcare professionals and caregivers, individual devices may fail.***

We have increased manufacturing capabilities for production of Furoscix, but increasing scale of production inherently creates increased risk of manufacturing errors. We may not be able to adequately inspect every device that is produced, and it is possible that individual devices may fail to perform as designed. Manufacturing errors could

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negatively impact market acceptance of Furoscix, result in negative press coverage, or increase the risk that we may be sued.

### ***Product liability lawsuits could divert our resources, result in substantial liabilities and reduce the commercial potential of our product candidates.***

The risk that we may be sued on product liability claims is inherent in the development drug formulation and device products. We face a risk of product liability exposure related to the testing of our current and future product candidates in clinical trials and will face even greater risks upon any commercialization by us of our product candidates. Product liability claims might be brought against us by consumers, healthcare providers or others coming into contact with our product candidates. These lawsuits may divert our management from pursuing our business strategy and may be costly to defend. In addition, if we are held liable in any of these lawsuits, we may incur substantial liabilities and may be forced to limit or forego further commercialization of one or more of our products which could adversely affect our stock price and our operations.

### ***Even if we obtain FDA approval for Furoscix in the United States, we may never obtain approval for or commercialize it in any other jurisdiction, which would limit our ability to realize its full market potential.***

In order to market products in any particular jurisdiction, we must establish and comply with numerous and varying regulatory requirements on a country-by-country basis regarding safety and efficacy. Approval by the FDA in the United States does not ensure approval by regulatory authorities in other countries or jurisdictions. In addition, the clinical standards of care may differ significantly such that clinical trials conducted in one country may not be accepted by healthcare providers, third-party payers or regulatory authorities in other countries, and regulatory approval in one country does not guarantee regulatory approval in any other country. Approval processes vary among countries and can involve additional drug testing and validation and additional administrative review periods. Seeking foreign regulatory approval could result in difficulties and costs for us and require additional preclinical studies or clinical trials which could be costly and time consuming. Regulatory requirements can vary widely from country to country and could delay or prevent the introduction of our products in those countries. We do not have any product candidates approved for sale in any jurisdiction, including in international markets, and we do not have experience in obtaining regulatory approval in international markets. If we fail to comply with regulatory requirements in international markets or to obtain and maintain required approvals, or if regulatory approvals in international markets are delayed, our target market will be reduced and our ability to realize the full market potential of any drug we develop will be unrealized.

### ***If we are unable to achieve and maintain coverage and adequate levels of reimbursement for our product or product candidates, if approved, their commercial success may be severely hindered.***

Successful sales of Furoscix and any other product candidates that receive regulatory approval depend on the availability of adequate coverage and reimbursement from third-party payers. Patients who are prescribed medications for the treatment of their conditions generally rely on third-party payers to reimburse all or part of the costs associated with their prescription drugs. Adequate coverage and reimbursement from governmental healthcare programs, such as Medicare and Medicaid, and commercial payers is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new products when more established or lower cost therapeutic alternatives are already available or subsequently become available. Assuming we obtain coverage for a given product, the resulting reimbursement payment rates might not be adequate or may require co-payments that patients find unacceptably high. Patients are unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products.

In addition, the market for Furoscix and any other product candidates that we attempt to commercialize will depend significantly on access to third-party payers' drug formularies, or lists of medications for which third-party payers provide coverage and reimbursement. The industry competition to be included in such formularies often leads to downward pricing pressures on pharmaceutical companies. Also, third-party payers may refuse to include a particular branded drug in their formularies or otherwise restrict patient access through formulary controls or otherwise to a branded drug when a less costly generic equivalent or other alternative is available.

Third-party payers, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in the United States, no uniform policy requirement for coverage and reimbursement for products exists among third-party payers. Therefore, coverage and reimbursement for products can differ significantly from payer to payer. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for



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the use of our products to each payer separately, with no assurance that coverage and adequate reimbursement will be applied consistently or obtained in the first instance.

Further, we believe that future coverage and reimbursement will likely be subject to increased restrictions both in the United States and in international markets. Third-party coverage and reimbursement for our product candidates for which we may receive regulatory approval may not be available or adequate in either the United States or international markets, which could have a material adverse effect on our business, results of operations, financial condition and prospects.

***We face substantial competition, which may result in others discovering, developing or commercializing drugs before or more successfully than we do, or limit the market potential of our product candidates, if approved.***

We face and will continue to face competition from other companies in the pharmaceuticals and medical device industries. We believe our technology and approach of developing proprietary formulations of medicines to be delivered subcutaneously using our sc2Wear Infusor will compete with the efforts of other companies seeking to develop similar therapies. These and other pharmaceutical companies are applying significant resources and expertise to the challenges of drug delivery. Some of these current and potential future competitors may be addressing the same therapeutic areas or indications as we are. Many of our current and potential future competitors have significantly greater research and development capabilities than we do, have substantially more marketing, manufacturing, financial, technical, human and managerial resources than we do, and have more institutional experience than we do.

As a result of these factors, our competitors may obtain regulatory approval of their products more rapidly than we are able to or may obtain patent protection or other intellectual property rights that allow them to develop and commercialize their products before us and limit our ability to develop or commercialize our product candidates. Our competitors may also develop drugs or devices that are more effective, more widely used and less costly than ours, and they may also be more successful than us in manufacturing and marketing their products.

We submitted the Furoscix NDA to the FDA for approval under 505(b)(2) of the FDCA. If the FDA approves a competitor's application for a product candidate or drug-device combination product before our application for a similar product candidate or drug-device combination product, and grants such competitor a period of exclusivity, the FDA may take the position that it cannot approve our 505(b)(2) application for a similar product candidate until the exclusivity period expires. Additionally, even if our 505(b)(2) application for Furoscix is approved first, we may still be subject to competition from other producers of heart failure and infectious disease therapies with approved products or approved 505(b)(2) NDAs for different conditions of use that would not be restricted by any grant of exclusivity to us.

The widespread acceptance of currently available therapies with which our product candidates will compete may limit market acceptance of our product candidates even if commercialized. Oral medication and IV drug delivery are currently available treatments for heart failure and are widely accepted in the medical community and have a long history of use. For example, the use of IV furosemide to treat decompensation in heart failure patients is well-established and has received widespread market acceptance. These treatments will compete with our Furoscix product candidate, if approved, and the established use of IV furosemide may limit the potential for Furoscix to receive widespread acceptance if commercialized.

### **Risks Related to the Ongoing Legal Requirements to Which Our Product Candidates are Subject**

***If the FDA or other applicable regulatory authorities approve generic products that compete with any of our product candidates, the sales of our product candidates, if approved, could be adversely affected.***

Once an NDA, including a Section 505(b)(2) application, is approved, the product covered becomes a "listed drug" which can be cited by potential competitors in support of approval of an abbreviated new drug application, or ANDA. FDA regulations and other applicable regulations and policies provide incentives to manufacturers to create modified versions of a drug to facilitate the approval of an ANDA or other application for similar substitutes. If these manufacturers demonstrate that their product has the same active ingredient(s), dosage form, strength, route of administration, and conditions of use, or labeling, as our product candidate, they might only be required to conduct a relatively inexpensive study to show that their generic product is absorbed in the body at the same rate and to the



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same extent as, or is bioequivalent to, our product candidate (and in some cases even this limited bioequivalence testing can be waived by the FDA). Competition from generic equivalents to our product candidates could substantially limit our ability to generate revenues and therefore to obtain a return on the investments we have made in our product candidates.

### ***An NDA submitted under 505(b)(2) may subject us to a patent infringement lawsuit that would delay or prevent the review or approval of Furoscix.***

Our NDA for Furoscix has been submitted to the FDA for approval under 505(b)(2) of the FDCA. Section 505(b)(2) permits the submission of an NDA where at least some of the information required for approval comes from preclinical studies and/or clinical trials that were not conducted by, or for, the applicant and for which the applicant has not obtained a right of reference. An NDA under 505(b)(2) would enable us to reference published literature and/or the FDA's previous findings of safety and effectiveness for a previously approved drug.

For NDAs submitted under section 505(b)(2), the patent certification and related provisions of the Hatch-Waxman Act apply. Accordingly, if we rely for approval on the safety or effectiveness information for a previously approved drug, referred to as a listed drug, we will be required to include patent certifications in our 505(b)(2) application regarding any patents covering the listed drug. If there are patents listed in the FDA publication Approved Drug Products with Therapeutic Equivalence Evaluations, commonly known as the Orange Book, for the listed drug, and we seek to obtain approval prior to the expiration of one or more of those patents, we will be required to submit a Paragraph IV certification indicating our belief that the relevant patents are invalid, unenforceable or will not be infringed by the manufacture, use or sale of the product that is the subject of our 505(b)(2) application. Otherwise, our 505(b)(2) application cannot be approved by the FDA until the expiration of any patents listed in the Orange Book for the listed drug.

If we submit a Paragraph IV certification, we will be required to provide notice of that certification to the NDA holder and patent owner shortly after our 505(b)(2) application is accepted for filing. Under the Hatch-Waxman Act, the patent owner may file a patent infringement lawsuit after receiving such notice. If a patent infringement lawsuit is filed within 45 days of the patent owner's or NDA holder's receipt of notice (whichever is later), a one-time, automatic stay of the FDA's ability to approve the 505(b)(2) NDA is triggered, which typically extends for 30 months unless patent litigation is resolved in favor of the Paragraph IV filer or the patent expires before that time. Accordingly, we may invest a significant amount of time and expense in the development of one or more product candidates only to be subject to significant delay and patent litigation before such product candidates may be commercialized, if at all.

In addition, a 505(b)(2) application will not be approved until any non-patent exclusivity listed in the Orange Book for the listed drug, or for any other drug with the same, protected conditions of approval as our product, has expired. The FDA also may require us to perform one or more additional clinical trials or measurements to support the change from the listed drug, which could be time consuming and could substantially delay our achievement of regulatory approval. The FDA also may reject any future 505(b)(2) submissions and require us to submit traditional NDAs under 505(b)(1), which would require extensive data to establish safety and effectiveness of the product for the proposed use and could cause delay and additional costs. Or the FDA could reject any future 505(b)(2) application and require us to submit an ANDA if, before the submission of our 505(b)(2) application, the FDA approves an application for a product that is pharmaceutically equivalent to ours. These factors, among others, may limit our ability to commercialize our product candidates successfully.

### ***If we fail to comply with environmental, health and safety laws and regulations, we could become subject to fines or penalties or incur costs that could have a material adverse effect on our business.***

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

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

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

***We will need to obtain FDA approval of any proposed product names, and any failure or delay associated with such approval may adversely impact our business.***

Any name we intend to use for our product candidates will require approval from the FDA regardless of whether we have secured a trademark registration from the U.S. Patent and Trademark Office, or USPTO. The FDA typically conducts a review of proposed product names, including an evaluation of potential for confusion with other product names. The FDA may object to any product name we submit if it believes the name inappropriately implies medical claims. If the FDA objects to any of our proposed product names, we may be required to adopt an alternative name for our product candidates. If we adopt an alternative name, we would lose the benefit of any existing trademark applications for such product candidate, and may be required to expend significant additional resources in an effort to identify a suitable product name that would qualify under applicable trademark laws, not infringe the existing rights of third parties and be acceptable to the FDA. We may be unable to build a successful brand identity for a new trademark in a timely manner or at all, which would limit our ability to commercialize our product candidates.

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

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

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

Various laws, regulations and executive orders also restrict the use and dissemination outside of the United States, or the sharing with certain non-U.S. nationals, of information classified for national security purposes, as well as certain products and technical data relating to those products. If we expand our presence outside of the United States, it will require us to dedicate additional resources to comply with these laws, and these laws may preclude us from developing, manufacturing, or selling certain products and product candidates outside of the United States, which could limit our growth potential and increase our development costs.

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

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

In some countries, such as the countries of the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can take considerable time after the receipt of marketing approval for a product. In addition, there can be considerable pressure by governments and other stakeholders on prices and reimbursement levels, including as part of cost containment measures. Political, economic and regulatory developments may further complicate pricing negotiations, and pricing negotiations may continue after coverage and reimbursement have been obtained. Reference pricing used by various countries and parallel distribution or arbitrage between low-priced and high-priced countries, can further reduce prices. To obtain reimbursement or pricing approval in some countries, we, or any future collaborators, may be required to conduct a clinical trial that compares the cost-effectiveness of our product candidates to other available therapies, which is time-consuming and costly. If reimbursement of our product candidates is unavailable or limited in scope or amount, or if pricing is set at unsatisfactory levels, our business could be harmed.

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

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

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

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

- restrictions on the marketing or manufacturing of such products;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning letters or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;

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- restrictions on coverage by third-party payers;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

### ***Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize Furoscix and affect the prices we may obtain.***

In the United States and some foreign jurisdictions, there have been a number of legislative and regulatory changes and proposed changes regarding the healthcare system that could prevent or delay marketing approval of Furoscix, restrict or regulate post-approval activities and affect our ability to profitably sell any product candidates for which we obtain marketing approval.

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. In March 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, collectively referred to as the Affordable Care Act, a sweeping 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 our product candidates are the following:

- an annual, nondeductible fee on any entity that manufactures or imports certain branded prescription drugs and biologic agents, apportioned among these entities according to their market share in certain government healthcare programs;
- 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;
- 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;
- expansion of healthcare fraud and abuse laws, including the False Claims Act and the Anti-Kickback Statute, which include, among other things, new government investigative powers and enhanced penalties for non-compliance;
- 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 the manufacturer's outpatient drugs to be covered under Medicare Part D;
- extension of manufacturers' 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, thereby potentially increasing manufacturers' Medicaid rebate liability;
- expansion of the entities eligible for discounts under the Public Health Service pharmaceutical pricing program;
- the requirements under the federal open payments program and its implementing regulations;
- a requirement to annually report drug samples that manufacturers and distributors provide to physicians; and
- a new Patient-Centered Outcomes Research Institute to oversee, identify priorities in, and conduct comparative clinical effectiveness research, along with funding for such research.

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Since its enactment, there have been judicial and Congressional challenges to certain aspects of the Affordable Care Act. As a result, there have been delays in the implementation of, and action taken to repeal or replace, certain aspects of the Affordable Care Act. In January 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the Affordable Care Act to waive, defer, grant exemptions from, or delay the implementation of any provision of the Affordable Care Act that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. Further, in May 2017, following the passage of the budget resolution for fiscal year 2017, the U.S. House of Representatives passed legislation known as the American Health Care Act, which, if enacted, would amend or repeal significant portions of the Affordable Care Act. Senate Republicans formed their own revised form of the American Health Care Act called the Better Care Reconciliation Act. In July 2017, the Senate Republicans introduced a stripped down version of the Better Care Reconciliation Act. Each of these measures was rejected by the full Senate. Congress will likely consider other legislation to replace elements of the Affordable Care Act. We continue to evaluate the effect that the Affordable Care Act and its possible repeal and replacement has on our business.

In addition, other legislative changes have been proposed and adopted since the Affordable Care Act was enacted. These changes included aggregate reductions to Medicare payments to providers of 2% per fiscal year through 2025. 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, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years.

We expect that the Affordable Care Act, as well as other healthcare reform measures that may be adopted in the future, may result in additional reductions in Medicare and other healthcare funding, more rigorous coverage criteria, new payment methodologies and in additional downward pressure on the price that we receive for any approved product. Any reduction in reimbursement from Medicare or other government programs may result in a similar reduction in payments from private payers. The implementation of cost containment measures or other healthcare reforms may prevent us from being able to generate revenue, attain profitability, or commercialize our products.

Legislative and regulatory proposals have been made to expand post-approval requirements and restrict sales and promotional activities for approved products. In addition, there have been several recent 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, reduce the cost of drugs under Medicare and reform government program reimbursement methodologies for drugs. We cannot be sure whether additional legislative changes will be enacted, or whether the FDA regulations, guidance or interpretations will be changed, or what the impact of such changes on the marketing approvals of Furoscix, if any, may be. In addition, increased scrutiny by the U.S. Congress of the FDA's approval process may significantly delay or prevent marketing approval, as well as subject us to more stringent labeling and post-marketing testing and other requirements.

We cannot predict the likelihood, nature or extent of government regulation that may arise from future legislation or administrative or executive action, either in the United States or abroad. For example, certain policies of the Trump administration may impact our business and industry. Namely, the Trump administration has taken several executive actions, including the issuance of a number of Executive Orders, that could impose significant burdens on, or otherwise materially delay, the FDA's ability to engage in routine regulatory and oversight activities such as implementing statutes through rulemaking, issuance of guidance, and review and approval of marketing applications. Notably, on January 30, 2017, President Trump issued an Executive Order, applicable to all executive agencies, including the FDA, that requires that for each notice of proposed rulemaking or final regulation to be issued in fiscal year 2017, the agency shall identify at least two existing regulations to be repealed, unless prohibited by law. These requirements are referred to as the "two-for-one" provisions. This Executive Order includes a budget neutrality provision that requires the total incremental cost of all new regulations in the 2017 fiscal year, including repealed regulations, to be no greater than zero, except in limited circumstances. For fiscal years 2018 and beyond, the Executive Order requires agencies to identify regulations to offset any incremental cost of a new regulation and approximate the total costs or savings associated with each new regulation or repealed regulation. In interim guidance issued by the Office of Information and Regulatory Affairs within the Office of Management and Budget on February 2, 2017, the administration indicates that the "two-for-one" provisions may apply not only to agency

regulations, but also to significant agency guidance documents. Further, on February 24, 2017, President Trump issued an Executive Order requiring each agency to designate a regulatory reform officer and create a regulatory reform task force to evaluate existing regulations and make recommendations regarding their repeal, replacement, or modification. It is difficult to predict how these requirements will be implemented, and the extent to which they will impact the FDA's ability to exercise its regulatory authority. If these executive actions impose constraints on the FDA's ability to engage in oversight and implementation activities in the normal course, our business may be negatively impacted.

***Our relationships with customers and payers will be subject to applicable anti-kickback, fraud and abuse, transparency, and other healthcare laws and regulations, which could expose us to criminal sanctions, civil penalties, contractual damages, reputational harm, administrative burdens, and diminished profits and future earnings.***

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

- ***Anti-Kickback Statute.*** The federal Anti-Kickback Statute prohibits, among other things, persons and entities from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward, or in return for, either the referral of an individual for, or the purchase, order or recommendation or arranging of, any good or service, for which payment may be made under a federal healthcare program such as Medicare and Medicaid. 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 several statutory exceptions and regulatory safe harbors protecting certain common activities from prosecution, they are drawn narrowly, and practices that involve remuneration intended to induce prescribing, purchasing or recommending may be subject to scrutiny if they do not qualify for an exception or safe harbor. A person or entity can be found guilty of violating the federal Anti-Kickback Statute without actual knowledge of the statute or specific intent to violate it. 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 federal False Claims Act or federal civil money penalties statute.
- ***False Claims Laws.*** The federal false claims and civil monetary penalties laws, including the federal civil False Claims Act, impose criminal and civil penalties, including through civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented false or fraudulent claims for payment by a federal healthcare program or making a false statement or record material to payment of a false claim or avoiding, decreasing or concealing an obligation to pay money to the federal government, with potential liability including mandatory treble damages and significant per-claim penalties.
- ***HIPAA.*** The federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, imposes criminal and civil liability for, among other things, knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or making false or fraudulent statements relating to healthcare matters. Similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. Additionally, HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations on covered entities and their business associates, including mandatory contractual terms and technical safeguards, with respect to maintaining the privacy, security and transmission of individually identifiable health information.
- ***Transparency Requirements.*** The federal Physician Payments Sunshine Act requires certain manufacturers of drugs, devices, biologics, and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services, or CMS, information related to payments or transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching



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hospitals, as well as information regarding ownership and investment interests held by the physicians described above and their immediate family members.

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

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

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

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

In addition, manufacturers of approved products and those manufacturers' facilities are required to comply with extensive FDA requirements, including ensuring that quality control and manufacturing procedures conform to cGMPs and QSRs, which include requirements relating to quality control and quality assurance as well as the corresponding maintenance of records and documentation and reporting requirements. We, our contract manufacturers, any future collaborators and their contract manufacturers could be subject to periodic unannounced inspections by the FDA to monitor and ensure compliance with cGMPs and QSRs.

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

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

### **Risks Related to the Clinical Development of Other Product Candidates in Our Pipeline**

#### ***The commencement and completion of clinical trials can be delayed or prevented for a number of reasons.***

Beyond Furoscix, we intend to identify, develop and market additional product candidates, including subcutaneous ceftriaxone. However, we may not be able to commence or complete the clinical trials that would support the submission of an NDA to the FDA or marketing authorization to any other regulatory agency. Drug development is a long, expensive and uncertain process, and delay or failure can occur at any stage of any of our clinical trials. Clinical trials can be delayed or prevented for a number of reasons, including:

- difficulties obtaining regulatory approval to commence a clinical trial or complying with conditions imposed by a regulatory authority regarding the scope or term of a clinical trial;
- delays in reaching or failing to reach agreement on acceptable terms with prospective contract research organizations, or CROs, contract manufacturing organizations, or CMOs, and trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- failure of our third-party contractors, such as CROs and CMOs, or our investigators to comply with regulatory requirements or otherwise meet their contractual obligations in a timely manner;
- insufficient or inadequate supply or quality of a product candidate or other materials necessary to conduct our clinical trials
- difficulties obtaining institutional review board, or IRB, approval to conduct a clinical trial at a prospective site;
- the FDA requiring alterations to any of our study designs, our nonclinical strategy or our manufacturing plans;
- challenges recruiting and enrolling subjects to participate in clinical trials for a variety of reasons, including size and nature of subject population, proximity of subjects to clinical sites, eligibility criteria for the trial, nature of trial protocol, the availability of approved effective treatments for the relevant disease and competition from other clinical trial programs for similar indications;
- difficulties maintaining contact with subjects after treatment, which results in incomplete data;
- receipt by a competitor of marketing approval for a product targeting an indication that our product targets, such that we are not “first to market” with our product candidate;
- governmental or regulatory delays and changes in regulatory requirements, policy and guidelines; and
- varying interpretations of data by the FDA and similar foreign regulatory agencies.

Clinical trials may also be delayed or terminated as a result of ambiguous or negative interim results. In addition, a clinical trial may be suspended or terminated by us, the FDA, the IRBs at the sites where the IRBs are overseeing a trial, or a data safety monitoring board overseeing the clinical trial at issue, or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- inspection of the clinical trial operations or trial sites by the FDA or other regulatory authorities;
- unforeseen safety issues, including serious adverse events associated with a product candidate, or lack of effectiveness; and
- lack of adequate funding to continue the clinical trial.

#### ***Clinical failure may occur at any stage of clinical development, and the results of our clinical trials may not support our proposed indications for our product candidates.***

We cannot be certain that existing clinical trial results will be sufficient to support regulatory approval of our product candidates. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and we cannot be sure that the results of later clinical trials will replicate the results of prior clinical



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trials and preclinical testing. Moreover, success in clinical trials in a particular indication, does not ensure that a product candidate will be successful in other indications. A number of companies in the pharmaceutical industry have suffered significant setbacks in clinical trials, even after promising results in earlier preclinical studies or clinical trials or successful later-stage trials in other related indications. These setbacks have been caused by, among other things, preclinical findings made while clinical trials were underway and safety or efficacy observations made in clinical trials, including previously unreported adverse events. The results of preclinical and early clinical trials of our product candidates may not be predictive of the results of later-stage clinical trials. Product candidates in later stages of clinical trials may fail to show the desired safety and efficacy traits despite having progressed through preclinical and initial clinical trials. A failure of a clinical trial to meet its predetermined endpoints would likely cause us to abandon a product candidate and may delay development of any other product candidates. Any delay in, or termination of, our clinical trials will delay the submission of the NDA to the FDA, the marketing authorization application to the EMA or other similar applications with other relevant foreign regulatory authorities and, ultimately, our ability to commercialize our product candidates and generate revenue.

***Our product candidates may have serious adverse, undesirable or unacceptable side effects which may delay or prevent marketing approval. If such side effects are identified during the development of our product candidates or following approval, if any, we may need to abandon our development of such product candidates, the commercial profile of any approved label may be limited, or we may be subject to other significant negative consequences following marketing approval, if any.***

Undesirable side effects that may be caused by our product candidates could cause us or regulatory authorities to interrupt, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or other comparable foreign authorities. To date, patients treated with Furoscix have experienced drug-related side effects including local skin effects such as reddening, or erythema, bruising and pain, which were mild or moderate in severity. Results of our trials could reveal a high and unacceptable severity and prevalence of these or other side effects. It is possible that there may be side effects associated with our other product candidates' use. In such an event, our trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us to cease further development of or deny approval of our product candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in potential product liability claims. Any of these occurrences may harm our business, financial condition and prospects.

***Our failure to successfully identify, develop and market additional product candidates could impair our ability to grow.***

As part of our growth strategy, we intend to identify, develop and market additional product candidates beyond Furoscix. We are exploring various therapeutic opportunities for our pipeline and product programs for use with our sc2Wear Infusor. We may spend several years completing our development of any particular current or future internal product candidates, and failure can occur at any stage. The product candidates to which we allocate our resources may not end up being successful. In addition, because our internal research capabilities are limited, we may be dependent upon pharmaceutical companies, academic scientists and other researchers to sell or license product candidates, approved products or the underlying technology to us. The success of this strategy depends partly upon our ability to identify, select, discover and acquire promising product candidates and products.

The process of proposing, negotiating and implementing a license or acquisition of a product candidate or approved product is lengthy and complex. Other companies, including some with substantially greater financial, marketing and sales resources, may compete with us for the license or acquisition of product candidates and approved products. We have limited resources to identify and execute the acquisition or in-licensing of third-party products, businesses and technologies and integrate them into our current infrastructure. Moreover, we may devote resources to potential acquisitions or in-licensing opportunities that are never completed, or we may fail to realize the anticipated benefits of such efforts. We may not be able to acquire the rights to additional product candidates on terms that we find acceptable, or at all.

In addition, future acquisitions may entail numerous operational and financial risks, including:

- exposure to unknown liabilities;

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- disruption of our business and diversion of our management's time and attention to develop acquired products or technologies;
- incurrence of substantial debt, dilutive issuances of securities or depletion of cash to pay for acquisitions;
- higher than expected acquisition and integration costs;
- difficulty in combining the operations and personnel of any acquired businesses with our operations and personnel;
- increased amortization expenses;
- impairment of relationships with key suppliers or customers of any acquired businesses due to changes in management and ownership; and
- inability to motivate key employees of any acquired businesses.

Further, any product candidate that we acquire may require additional development efforts prior to commercial sale, including extensive clinical testing and approval by the FDA and other regulatory authorities.

### **Risks Related to Our Dependence on Third Parties**

***Use of third parties to manufacture our product candidates may increase the risk that we will not have sufficient quantities of our product candidates, products, or necessary quantities at an acceptable cost.***

We do not own or operate manufacturing facilities for the production of clinical or commercial quantities of our product candidates, and we lack the resources and the capabilities to do so. As a result, we currently rely on third parties for supply of the active pharmaceutical ingredients, or API, in our product candidates, as well as the device components in our sc2Wear Infusor. Our current strategy is to outsource all manufacturing of our product candidates and products to third parties.

We currently engage third-party manufacturers to manufacture Furoscix. For example, we have engaged a third-party manufacturer for the manufacture of the furosemide formulation used in Furoscix. In addition, one of our CMOs manufactures the single-use components of our sc2Wear Infusor device, including the cartridge and vial adaptor. This CMO has contracted with a sterilization sub-contractor to sterilize the manufactured component parts prior to inclusion into the single-dose kit. The reusable activator in the sc2Wear Infusor is manufactured by another CMO. Another third party then assembles and packages the finished drug-device kits for Furoscix. There is no guarantee that we can maintain our relationships with these manufacturers and we may incur added costs and delays in identifying and qualifying any replacements for such manufacturers. There is no assurance that we will be able to timely secure further needed supply arrangements on satisfactory terms, or at all. Our failure to secure these arrangements as needed could have a material adverse effect on our ability to commercialize Furoscix or develop our other product candidates. There may be difficulties and delays in scaling up to commercial quantities of Furoscix and the costs of manufacturing could be prohibitive. Beyond Furoscix, third parties also manufacture the materials that we require for the development of our other product candidates, including subcutaneous ceftriaxone, and our reliance on these manufacturers for these activities carries similar risks as our reliance on third-party manufacturers in connection with Furoscix.

Reliance on third-party manufacturers entails additional risks, including:

- reliance on third parties for manufacturing process development, regulatory compliance and quality assurance;
- limitations on supply availability resulting from capacity and scheduling constraints of third parties;
- the possible breach of manufacturing agreements by third parties because of factors beyond our control; and
- the possible termination or non-renewal of the manufacturing agreements by the third party, at a time that is costly or inconvenient to us.

If we do not maintain our key manufacturing relationships, we may fail to find replacement manufacturers or develop our own manufacturing capabilities, which could delay or impair our ability to obtain regulatory approval for our products. If we do find replacement manufacturers, we may not be able to enter into agreements with them on terms and conditions favorable to us and there could be a substantial delay before new facilities could be qualified and registered with the FDA and other foreign regulatory authorities.

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Our lead product candidate is a drug-device combination product that will be regulated under the drug regulations of the FDCA based on its primary mode of action as a drug. Third-party manufacturers may not be able to comply with the regulatory requirements, known as current good manufacturing practice, or cGMP, applicable to drug-device combination products, including applicable provisions of the FDA's drug cGMP regulations, device cGMP requirements embodied in the QSR or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates, operating restrictions and criminal prosecutions, any of which could significantly affect supplies of our product candidates. The facilities used by our contract manufacturers to manufacture our product candidates must be approved by the FDA pursuant to inspections that will be conducted after we submit our NDA to the FDA. We do not control the manufacturing process of, and are completely dependent on, our contract manufacturing partners for compliance with cGMPs and QSRs. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or others, they will not be able to secure and/or maintain regulatory approval for their manufacturing facilities. In addition, we have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If the FDA or a comparable foreign regulatory authority does not approve these facilities for the manufacture of our product candidates or if it withdraws any such approval in the future, we may need to find alternative manufacturing facilities, which would significantly impact our ability to develop, obtain regulatory approval for or market our product candidates, if approved. Contract manufacturers may face manufacturing or quality control problems causing drug substance production and shipment delays or a situation where the contractor may not be able to maintain compliance with the applicable cGMP and QSR requirements. Any failure to comply with cGMP or QSR requirements or other FDA, EMA and comparable foreign regulatory requirements could adversely affect our clinical research activities and our ability to develop our product candidates and market our products following approval.

The FDA and other foreign regulatory authorities require manufacturers to register manufacturing facilities. The FDA and corresponding foreign regulators also inspect these facilities to confirm compliance with applicable cGMPs and QSRs. Contract manufacturers may face manufacturing or quality control problems causing drug substance or device component production and shipment delays or a situation where the contractor may not be able to maintain compliance with the applicable cGMP or QSR requirements. Any failure to comply with cGMP or QSR requirements or other FDA, EMA and comparable foreign regulatory requirements could adversely affect our clinical research activities and our ability to develop our product candidates and market our products following approval.

***If our third-party manufacturers of our product candidates are unable to increase the scale of their production of our product candidates, or increase the product yield of manufacturing, then our costs to manufacture the product may increase and commercialization may be delayed.***

In order to produce sufficient quantities to meet the demand for clinical trials and subsequent commercialization of Furoscix or any of our other product candidates in our pipeline or that we may develop, our third-party manufacturers will be required to increase their production and automate and otherwise optimize their manufacturing processes while maintaining the quality of the product. The transition to larger scale production could prove difficult. In addition, if our third-party manufacturers are not able to automate and otherwise optimize their manufacturing process to increase the product yield for our sc2Wear Infusor and other components of our product candidates, or if they are unable to produce increased amounts of our product candidates while maintaining quality, then we may not be able to meet the demands of clinical trials or market demands, which could decrease our ability to generate revenues and have a material adverse impact on our business and results of operations.

***We rely on third parties to conduct our preclinical studies and clinical trials. If they do not perform satisfactorily or fail to meet expected deadlines, our business could be harmed.***

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

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occur, which could negatively impact our ability to meet our expected clinical development timelines and harm our business, financial condition and prospects.

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

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

***We enter into various contracts in the normal course of our business in which we indemnify the other party to the contract. In the event we have to perform under these indemnification provisions, it could have a material adverse effect on our business, financial condition and results of operations.***

In the normal course of business, we periodically enter into academic, commercial, service, collaboration, licensing, consulting and other agreements that contain indemnification provisions. With respect to our academic and other research agreements, we typically indemnify the institution and related parties from losses arising from claims relating to the products, processes or services made, used, sold or performed pursuant to the agreements for which we have secured licenses, and from claims arising from our or our sublicensees' exercise of rights under the agreement. With respect to our commercial agreements, we indemnify our vendors from any third-party product liability claims that could result from the production, use or consumption of the product, as well as for alleged infringements of any patent or other intellectual property right by a third party.

Should our obligation under an indemnification provision exceed applicable insurance coverage or if we were denied insurance coverage, our business, financial condition and results of operations could be adversely affected. Similarly, if we are relying on a collaborator to indemnify us and the collaborator is denied insurance coverage or the indemnification obligation exceeds the applicable insurance coverage and does not have other assets available to indemnify us, our business, financial condition and results of operations could be adversely affected.

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

We expect to seek one or more collaborators for the development and commercialization of one or more of our product candidates. For example, we started collaborating with Sensile Medical AG in 2013. Likely collaborators may include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies and biotechnology companies. In addition, if we are able to obtain marketing approval for product candidates from

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foreign regulatory authorities, we intend to enter into strategic relationships with international biotechnology or pharmaceutical companies for the commercialization of such product candidates outside of the United States.

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

Collaborations are complex and time-consuming to negotiate and document. Further, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators. Any collaboration agreements that we enter into in the future may contain restrictions on our ability to enter into potential collaborations or to otherwise develop specified product candidates. We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of the product candidate for which we are seeking to collaborate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense.

### **Risks Related to Our Intellectual Property**

***Our drug development strategy relies heavily upon the 505(b)(2) regulatory approval pathway, which requires us to certify that we do not infringe upon third-party patents covering approved drugs that we rely upon for approval if we want to obtain approval prior to patent expiry. Such certifications typically result in third-party claims of intellectual property infringement, the defense of which would be costly and time consuming, and an unfavorable outcome in any litigation may prevent or delay our development and commercialization efforts which would harm our business.***

Our commercial success depends in large part on our avoiding infringement of the patents and proprietary rights of third parties for existing approved drug products. Because we utilize the 505(b)(2) regulatory approval pathway for the approval of our products and product candidates, we rely in whole or in part on studies conducted by third parties related to those approved drug products. As a result, upon filing with the FDA for approval of our product candidates, we will be required to certify to the FDA that either: (1) there is no patent information listed in the FDA's Orange Book for the listed drug; (2) the patents listed in the Orange Book have expired; (3) the listed patents have not expired, but will expire on a particular date and approval is sought after patent expiration; or (4) the listed patents are invalid or will not be infringed by the manufacture, use or sale of our proposed drug product. We can avoid certifying to a method-of-use patent if we do not seek approval of the patented condition of use. If we certify to the FDA that a patent is invalid or not infringed, or a Paragraph IV certification, a notice of the Paragraph IV certification must also be sent to the patent owner and NDA holder shortly after our 505(b)(2) NDA is accepted for filing by the FDA. The third party may then initiate a lawsuit against us asserting infringement of the patents identified in the notice. The filing of a patent infringement lawsuit within 45 days of receipt of the notice automatically prevents the FDA from approving our 505(b)(2) application until the earliest of 30 months or the date on which the patent expires, the lawsuit is settled, or the court reaches a decision in the infringement lawsuit in our favor. If the third party does not file a patent infringement lawsuit within the required 45-day period, our application will not be subject to the 30-month stay. However, even if the third party does not sue within the 45-day time limit, thereby invoking the 30-month stay, it may still challenge our right to market our product upon FDA approval; therefore, some risk of an infringement suit remains even after the expiry of the 45-day limit.

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

We are a party to a license agreement with Sensile Medical, or Sensile, under which we license patent rights relating to Furoscix. We may enter into additional license agreements in the future. Our license agreement with Sensile imposes, and we expect that future license agreements will impose, various diligence, milestone payment, royalty, insurance and other obligations on us. If we fail to comply with our obligations under these licenses, our licensors may have the right to terminate these license agreements, in which event we might not be able to market any product that is covered by these agreements, or our licensors may convert the license to a non-exclusive license, which could negatively impact the value of the product candidate being developed under the license agreement. Termination of these license agreements or reduction or elimination of our licensed rights may also result in our having to negotiate new or reinstated licenses with less favorable terms.

***Our success depends on our ability to protect our intellectual property and proprietary technology, as well as the ability of our collaborators to protect their intellectual property and proprietary technology.***

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

Agreements through which we license patent rights, including our agreements with Sensile, may not give us control over patent prosecution or maintenance, so that we may not be able to control which claims or arguments are presented and may not be able to secure, maintain, or successfully enforce necessary or desirable patent protection from those patent rights. We have not had and do not have primary control over patent prosecution and maintenance for certain of the patents and patent applications we license, and therefore cannot guarantee that these patents and applications will be prosecuted or maintained in a manner consistent with the best interests of our business. We are reliant on patents and patent applications that we license for our product candidates, particularly those with Sensile, and failure by owners of this intellectual property to enforce claims could have a negative impact on our business. We cannot be certain that patent prosecution and maintenance activities by our licensors have been or will be conducted in compliance with applicable laws and regulations or will result in valid and enforceable patents.

If the scope of the patent protection we or our licensors obtain is not sufficiently broad, we may not be able to prevent others from developing and commercializing technology and products similar or identical to ours. The degree of patent protection we require to successfully compete in the marketplace may be unavailable or severely limited in some cases and may not adequately protect our rights or permit us to gain or keep any competitive advantage. We cannot provide any assurances that any of our licensed patents have, or that any of our pending licensed patent applications that mature into issued patents will include, claims with a scope sufficient to protect our current and future product candidates or otherwise provide any competitive advantage, nor can we assure you that our licenses are or will remain in force. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. Furthermore, patents have a limited lifespan. In the United States, the natural expiration of a patent is generally twenty years after it is filed. Various extensions may be available; however, the life of a patent, and the protection it affords, is limited. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our licensed patent portfolio may not provide us with adequate and continuing patent protection sufficient to exclude others from commercializing products similar to our product candidates. In addition, the patent portfolio licensed to us is, or may be, licensed to third parties, such as outside our field, and such third parties may have certain enforcement rights. Thus, patents licensed to us could be put at risk of being invalidated or interpreted narrowly in litigation filed by or against another licensee or in administrative proceedings brought by or against another licensee in response to such litigation or for other reasons.

Even if they are unchallenged, our licensed patents and pending patent applications, if issued, may not provide us with any meaningful protection or prevent competitors from designing around our patent claims to circumvent our or



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our licensors' patents by developing similar or alternative technologies or therapeutics in a non-infringing manner. For example, a third party may develop a competitive therapy that provides benefits similar to one or more of our product candidates but that uses a formulation and/or a device that falls outside the scope of our patent protection or license rights. If the patent protection provided by the patents and patent applications we hold or pursue with respect to our product candidates is not sufficiently broad to impede such competition, our ability to successfully commercialize our product candidates could be negatively affected, which would harm our business. Although currently all of our patents and some of our patent applications are in-licensed, similar risks would apply to any patents or patent applications that we may own or in-license in the future.

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

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

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

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

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

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The patent application process is subject to numerous risks and uncertainties, and there can be no assurance that we or any of our future development partners will be successful in protecting our product candidates by obtaining and defending patents. These risks and uncertainties include the following:

- the USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other provisions during the patent process. There are situations in which noncompliance can result in abandonment or lapse of a patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, competitors might be able to enter the market earlier than would otherwise have been the case;
- patent applications may not result in any patents being issued;
- patents that may be issued or in-licensed may be challenged, invalidated, modified, revoked, circumvented, found to be unenforceable or otherwise may not provide any competitive advantage;
- our competitors, many of whom have substantially greater resources and many of whom have made significant investments in competing technologies, may seek or may have already obtained patents that will limit, interfere with or eliminate our ability to make, use, and sell our potential product candidates;
- there may be significant pressure on the U.S. government and international governmental bodies to limit the scope of patent protection both inside and outside the United States for disease treatments that prove successful, as a matter of public policy regarding worldwide health concerns; and
- countries other than the United States may have patent laws less favorable to patentees than those upheld by U.S. courts, allowing foreign competitors a better opportunity to create, develop and market competing product candidates in such countries.

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

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

In addition, we rely on the protection of our trade secrets and proprietary know-how. Although we have taken steps to protect our trade secrets and unpatented know-how, including entering into confidentiality agreements with third parties, and confidential information and inventions agreements with employees, consultants and advisors, we cannot provide any assurances that all such agreements have been duly executed, and third parties may still obtain this information or may come upon this or similar information independently. Additionally, if the steps taken to maintain our trade secrets are deemed inadequate, we may have insufficient recourse against third parties for misappropriating our trade secrets. If any of these events occurs or if we otherwise lose protection for our trade secrets or proprietary know-how, our business may be harmed.



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### ***It is difficult and costly to protect our intellectual property and our proprietary technologies, and we may not be able to ensure their protection.***

Our commercial success will depend in part on obtaining and maintaining patent protection and trade secret protection for the use, formulation and structure of our product candidates, the methods used to manufacture them, the related therapeutic targets and associated methods of treatment as well as on successfully defending these patents against potential third-party challenges. Our ability to protect our products and product candidates from unauthorized making, using, selling, offering to sell or importing by third parties is dependent on the extent to which we have rights under valid and enforceable patents that cover these activities.

The patent positions of pharmaceutical, biotechnology and other life sciences companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. Changes in either the patent laws or in interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Further, the determination that a patent application or patent claim meets all of the requirements for patentability is a subjective determination based on the application of law and jurisprudence. The ultimate determination by the USPTO or by a court or other trier of fact in the United States, or corresponding foreign national patent offices or courts, on whether a claim meets all requirements of patentability cannot be assured. We have not conducted searches for third-party publications, patents and other information that may affect the patentability of claims in our various patent applications and patents, so we cannot be certain that all relevant information has been identified. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or patent applications, in our licensed patents or patent applications or in third-party patents.

We cannot provide assurances that any of our patent applications will be found to be patentable, including over our own prior art patents, or will issue as patents. Neither can we make assurances as to the scope of any claims that may issue from our pending and future patent applications nor to the outcome of any proceedings by any potential third parties that could challenge the patentability, validity or enforceability of our patents and patent applications in the United States or foreign jurisdictions. Any such challenge, if successful, could limit patent protection for our products and product candidates and/or materially harm our business.

The degree of future protection for our proprietary rights is uncertain because legal means afford only limited protection and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we may not be able to generate sufficient data to support full patent applications that protect the entire breadth of developments in one or more of our programs;
- it is possible that one or more of our pending patent applications will not become an issued patent or, if issued, that the patent(s) will not: (a) be sufficient to protect our technology, (b) provide us with a basis for commercially viable products or (c) provide us with any competitive advantages;
- if our pending applications issue as patents, they may be challenged by third parties as not infringed, invalid or unenforceable under U.S. or foreign laws; or
- if issued, the patents under which we hold rights may not be valid or enforceable.

In addition, to the extent that we are unable to obtain and maintain patent protection for one of our products or product candidates or in the event that such patent protection expires, it may no longer be cost-effective to extend our portfolio by pursuing additional development of a product or product candidate for follow-on indications.

We also may rely on trade secrets to protect our technologies or products, especially where we do not believe patent protection is appropriate or obtainable. However, trade secrets are difficult to protect. Although we use reasonable efforts to protect our trade secrets, our employees, consultants, contractors, outside scientific collaborators and other advisers may unintentionally or willfully disclose our information to competitors. Enforcing a claim that a third-party entity illegally obtained and is using any of our trade secrets is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States are sometimes less willing to protect trade secrets. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and applications are required to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and applications. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process and after a patent has issued. There are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Under the terms of some of our licenses, we do not have the ability to maintain or prosecute patents in the portfolio, and must therefore rely on third parties to comply with these requirements.

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

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

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

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

Further, the America Invents Act created new procedures to challenge the validity of issued patents in the United States, including post-grant review and *inter partes* review proceedings, which some third parties have been using to cause the cancellation of selected or all claims of issued patents. For a patent with an effective filing date of March 16, 2013 or later, a petition for post-grant review can be filed by a third party in a nine month window from issuance of the patent. A petition for *inter partes* review can be filed immediately following the issuance of a patent if the patent has an effective filing date prior to March 16, 2013. A petition for *inter partes* review can be filed after the nine month period for filing a post-grant review petition has expired for a patent with an effective filing date of March 16, 2013 or later. Post-grant review proceedings can be brought on any ground of invalidity, whereas *inter partes* review proceedings can only raise an invalidity challenge based on published prior art and patents. In these adversarial actions, the USPTO reviews patent claims without the presumption of validity afforded to U.S. patents in lawsuits in U.S. federal courts and uses a lower burden of proof than used in litigation in U.S. federal courts. Therefore, it is generally considered easier for a competitor or third party to have a U.S. patent invalidated in a USPTO post-grant review or *inter partes* review proceeding than invalidated in a litigation in a U.S. federal court. If any of our or our licensors' patents are challenged by a third party in such a USPTO proceeding, there is no guarantee that we or our licensors or collaborators will be successful in defending the patent, which would result in a loss of the challenged patent right to us.

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Depending on future actions by the U.S. Congress, the U.S. courts, the USPTO and the relevant law-making bodies in other countries, the laws and regulations governing patents could change in unpredictable ways that would weaken our ability to obtain new patents or to enforce our existing patents and patents that we might obtain in the future.

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

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

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

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

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

### ***Others may claim an ownership interest in our intellectual property which could expose us to litigation and have a significant adverse effect on our prospects.***

A third party may claim an ownership interest in one or more of our or our licensors' patents or other proprietary or intellectual property rights. A third party could bring legal actions against us and seek monetary damages and/or enjoin clinical testing, manufacturing and marketing of the affected product or products. While we are presently unaware of any claims or assertions by third parties with respect to our patents or other intellectual property, we cannot guarantee that a third party will not assert a claim or an interest in any of such patents or intellectual property. If we become involved in any litigation, it could consume a substantial portion of our resources, and cause a significant diversion of effort by our technical and management personnel. If any of these actions are successful, in addition to any potential liability for damages, we could be required to obtain a license to continue to manufacture or market the affected product, in which case we may be required to pay substantial royalties or grant cross-licenses to our patents. We cannot, however, assure you that any such license will be available on acceptable terms, if at all. Ultimately, we could be prevented from commercializing a product candidate, or be forced to cease some aspect of our business operations as a result of claims of patent infringement or violation of other intellectual property rights. Further, the outcome of intellectual property litigation is subject to uncertainties that cannot be

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adequately quantified in advance, including the demeanor and credibility of witnesses and the identity of any adverse party. This is especially true in intellectual property cases that may turn on the testimony of experts as to technical facts upon which experts may reasonably disagree.

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

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

There is a substantial amount of intellectual property litigation in the biotechnology and pharmaceutical industries, and we may become party to, or threatened with, litigation or other adversarial proceedings regarding intellectual property rights with respect to our products candidates, including interference and post-grant proceedings before the USPTO. There may be third-party patents or patent applications with claims to materials, formulations, methods of manufacture or methods for treatment related to the composition, use or manufacture of our product candidates. We cannot guarantee that any of our patent analyses including, but not limited to, the scope of patent claims or the expiration of relevant patents are complete or thorough, nor can we be certain that we have identified each and every patent and pending application in the United States and abroad that is relevant to or necessary for the commercialization of our product candidates in any jurisdiction. Because patent applications can take many years to issue, there may be currently pending patent applications which may later result in issued patents that our product candidates may be accused of infringing. In addition, third parties may obtain patents in the future and claim that use of our technologies infringes upon these patents. Accordingly, third parties may assert infringement claims against us based on intellectual property rights that exist now or arise in the future. The outcome of intellectual property litigation is subject to uncertainties that cannot be adequately quantified in advance. The pharmaceutical and biotechnology industries have produced a significant number of patents, and it may not always be clear to industry participants, including us, which patents cover various types of products or methods of use or manufacture. The scope of protection afforded by a patent is subject to interpretation by the courts, and the interpretation is not always uniform. If we were sued for patent infringement, we would need to demonstrate that our product candidates, products or methods either do not infringe the patent claims of the relevant patent or that the patent claims are invalid or unenforceable, and we may not be able to do this. Proving invalidity is difficult. For example, in the United States, proving invalidity requires a showing of clear and convincing evidence to overcome the presumption of validity enjoyed by issued patents. Even if we are successful in these proceedings, we may incur substantial costs and the time and attention of our management and scientific personnel could be diverted in pursuing these proceedings, which could significantly harm our business and operating results. In addition, we may not have sufficient resources to bring these actions to a successful conclusion.

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

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

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

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

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

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

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

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Additionally, for certain of our in-licensed patent rights, we do not have the right to bring suit for infringement and must rely on third parties to enforce these rights for us. If we cannot or choose not to take action against those we believe infringe our intellectual property rights, we may have difficulty competing in certain markets where such potential infringers conduct their business, and our commercialization efforts may suffer as a result.

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

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

***If our trademarks and trade names are not adequately protected, then we may not be able to build name recognition in our marks of interest and our business may be adversely affected.***

Our trademarks or trade names may be challenged, infringed, circumvented or declared generic or determined to be infringing on other marks. We rely on both registration and common law protection for our trademarks. We may not be able to protect our rights to these trademarks and trade names or may be forced to stop using these names, which we need for name recognition by potential partners or customers in our markets of interest. During the trademark registration process, we may receive Office Actions from the USPTO objecting to the registration of our trademark. Although we would be given an opportunity to respond to those objections, we may be unable to overcome such rejections. In addition, in the USPTO and in comparable agencies in many foreign jurisdictions, third parties are given an opportunity to oppose pending trademark applications and/or to seek the cancellation of registered trademarks. Opposition or cancellation proceedings may be filed against our trademarks, and our trademarks may not survive such proceedings. If we are unable to establish name recognition based on our trademarks and trade names, we may not be able to compete effectively and our business may be adversely affected.

### **Risks Related to Employee Matters, Managing Growth and Ongoing Operations**

***We only have a limited number of employees to manage and operate our business.***

As of June 30, 2017, we had 27 full-time or part-time employees. Our focus on the development of Furoscix has required us to optimize cash utilization and to manage and operate our business in a lean manner. We cannot assure you that we will be able to hire and/or retain adequate staffing levels to commercialize Furoscix or run our operations and/or to accomplish all of the objectives that we otherwise would seek to accomplish.

***We depend heavily on our executive officers, directors, and principal consultants and the loss of their services would materially harm our business.***

Our success depends, and will likely continue to depend, upon our ability to hire, retain the services of our current executive officers, directors, principal consultants and others. In addition, we have established relationships with universities and research institutions which have historically provided, and continue to provide, us with access to research laboratories, clinical trials, facilities and patients. Our ability to compete in the biotechnology and pharmaceuticals industries depends upon our ability to attract and retain highly qualified managerial, scientific and medical personnel.

Our industry has experienced a high rate of turnover of management personnel in recent years. Any of our personnel may terminate their employment at will. If we lose one or more of our executive officers or other key employees, our ability to implement our business strategy successfully could be seriously harmed. Furthermore, replacing executive



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officers or other key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to develop, gain marketing approval of and commercialize products successfully.

Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these additional key employees on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions.

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

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

We are exposed to the risk that our employees, independent contractors, consultants, collaborators and contract research organizations may engage in fraud or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable non-U.S. regulatory authorities, to provide accurate information to the FDA or comparable non-U.S. regulatory authorities, to comply with manufacturing standards we have established, to comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable non-U.S. regulatory authorities, to report financial information or data accurately or to disclose unauthorized activities to us. Such misconduct could also involve the improper use or misrepresentation of information obtained in the course of clinical trials, creating fraudulent data in our preclinical studies or clinical trials or illegal misappropriation of product materials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards or regulations. Additionally, we are subject to the risk that a person or government could allege such fraud or other misconduct, even if none occurred. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

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

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug manufacturing, regulatory affairs and sales, marketing and distribution, as well as to support our public company operations. To manage these growth activities, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Our management may need to devote a significant amount of its attention to managing these growth activities. Moreover, our expected growth could require us to relocate to a different geographic area of the country. Due to our limited financial resources and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion or relocation of our operations, retain key employees, or identify, recruit and train additional qualified personnel. Our inability to manage the expansion or relocation of our operations effectively may result in weaknesses in our infrastructure, give rise to operational mistakes, loss of business opportunities, loss of employees and reduced productivity among remaining employees. Our expected growth could also require significant capital expenditures and may divert financial resources from other projects, such as the development of additional product candidates. If we are unable to effectively manage our expected growth, our expenses may increase more than expected, our ability to generate revenues could be reduced and we may not be able to implement our business strategy, including the successful commercialization of our product candidates.



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***We have operated as a private company and have no experience attempting to comply with public company reporting and other obligations. Taking steps to comply with these requirements will increase our costs and require additional management resources, and do not ensure that we will be able to satisfy them.***

As a result of becoming a public company, compliance with the Sarbanes-Oxley Act of 2002, as well as other rules and regulations promulgated by the SEC and The NASDAQ Stock Market LLC, or NASDAQ, will result in significant initial and continuing legal, accounting, administrative and other costs and expenses, particularly after we are no longer an “emerging growth company.” The listing requirements of The NASDAQ Global Market require that we satisfy certain corporate governance requirements relating to director independence, distributing annual and interim reports, stockholder meetings, approvals and voting, soliciting proxies, conflicts of interest and a code of conduct. Our management and other personnel will need to devote a substantial amount of time to ensure that we comply with all of these requirements.

After this offering, we will be subject to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, and the related rules of the SEC that generally require our management and independent registered public accounting firm to report on the effectiveness of our internal control over financial reporting. Beginning with the second annual report that we will be required to file with the SEC, Section 404 requires an annual management assessment of the effectiveness of our internal control over financial reporting. However, for so long as we remain an “emerging growth company” as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to public companies that are not emerging growth companies, including, but not limited to, not being required to comply with the auditor attestation requirements of Section 404. Once we are no longer an “emerging growth company” or, if before such date, we opt to no longer take advantage of the applicable exemption, we will be required to include an opinion from our independent registered public accounting firm on the effectiveness of our internal control over financial reporting.

To date, we have never conducted a review of our internal control for the purpose of providing the reports required by these rules. During the course of our review and testing, we may identify deficiencies and be unable to remediate them before we must provide the required reports. Furthermore, if we have a material weakness in our internal control over financial reporting, we may not detect errors on a timely basis and our financial statements may be materially misstated. We or our independent registered public accounting firm may not be able to conclude on an ongoing basis that we have effective internal control over financial reporting, which could harm our operating results, cause investors to lose confidence in our reported financial information and cause the trading price of our stock to fall. In addition, as a public company we will be required to timely file accurate quarterly and annual reports with the SEC under the Securities Exchange Act of 1934, or the Exchange Act, as amended. Any failure to report our financial results on an accurate and timely basis could result in sanctions, lawsuits, delisting of our shares from The NASDAQ Global Market or other adverse consequences.

***Our business and operations would suffer in the event of computer system failures.***

Despite the implementation of security measures, our internal computer systems, and those of other third parties on which we rely are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. If such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our drug development programs. For example, the loss of clinical trial data from completed or ongoing or planned clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further development of our product candidates could be delayed.

### **Risks Related to Our Common Stock and this Offering**

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

Prior to this offering, there has been no public market for our common stock. The initial public offering price for our common stock will be determined through negotiations with the underwriters. This price may not reflect the price at

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which investors in the market will be willing to buy and sell our shares following this offering. Although we are listing our common stock on The NASDAQ Global Market, an active trading market for our shares may never develop or, if developed, be maintained following this offering. If an active market for our common stock does not develop or is not maintained, it may be difficult for you to sell shares you purchase in this offering without depressing the market price for the shares or at all. An inactive trading market may also impair our ability to raise capital to continue to fund operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

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

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

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

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

- the timing and results of applications for FDA approval of Furoscix and other regulatory actions with respect to our product candidates;
- the pricing and reimbursement of Furoscix, if approved, and of other product candidates that may be approved;
- regulatory actions with respect to our competitors' products and product candidates;
- the success of existing or new competitive products or technologies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures, collaborations or capital commitments;
- the timing and results of clinical trials of our pipeline product candidates;
- commencement or termination of collaborations for our development programs;
- failure or discontinuation of any of our development programs;
- results of clinical trials of product candidates of our competitors;
- regulatory or legal developments in the United States and other countries;
- developments or disputes concerning patent applications, issued patents or other proprietary rights, including proprietary rights that we in-license from third parties, such as Sensile;
- the recruitment or departure of key personnel;
- the level of expenses related to any of our product candidates or clinical development programs;
- the results of our efforts to develop additional product candidates or products;
- actual or anticipated changes in estimates as to financial results or development timelines;
- announcement or expectation of additional financing efforts;

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- sales of our common stock by us, our insiders or other stockholders;
- variations in our financial results or those of companies that are perceived to be similar to us;
- changes in estimates or recommendations by securities analysts, if any, that cover our stock;
- changes in the structure of healthcare payment systems;
- market conditions in the pharmaceutical and biotechnology sectors;
- general economic, industry and market conditions; and
- the other factors described in this “Risk Factors” section.

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

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

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

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

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

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

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

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares of common stock intend to sell shares, could reduce the market price of our common stock. Following this offering, we will have \_\_\_\_\_ shares of

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common stock outstanding based on the 7,740,881 shares of our common stock outstanding as of June 30, 2017 (of which 8,752 shares are subject to a right of repurchase by us pursuant to a stock restriction agreement between us and the holders of such shares), and after giving effect to the conversion of all outstanding shares of our preferred stock into 72,712,255 shares of our common stock upon the closing of this offering. Of these shares, the \_\_\_\_\_ shares sold by us in this offering may be resold in the public market immediately, unless purchased by our affiliates. The remaining \_\_\_\_\_ shares are currently restricted under securities laws or as a result of lock-up or other agreements, but will be able to be sold after this offering as described in the "Shares Eligible for Future Sale" section of this prospectus. The representatives of the underwriters may release these stockholders from their lock-up agreements with the underwriters at any time and without notice, which would allow for earlier sales of shares in the public market.

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

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

As of December 31, 2016, we had federal and state net operating loss carryforwards of \$9.1 million and \$8.3 million, respectively, and federal and state research and development tax credit carryforwards of \$0.6 million and \$0.2 million, respectively. If not utilized, the net operating loss carryforwards will expire at various dates through 2036. If not utilized, the research and development credits expire at various dates through 2036. These net operating loss and tax credit carryforwards could expire unused and be unavailable to offset future income tax liabilities. In addition, under Section 382 of the Internal Revenue Code of 1986, as amended, and corresponding provisions of state law, if a corporation undergoes an "ownership change," which is generally defined as a greater than 50% change, by value, in its equity ownership over a three-year period, the corporation's ability to use its pre-change net operating loss carryforwards and other pre-change tax attributes to offset its post-change income may be limited. We have not determined if we have experienced Section 382 ownership changes in the past and if a portion of our net operating loss and tax credit carryforwards are subject to an annual limitation under Section 382. In addition, we may experience ownership changes in the future as a result of subsequent shifts in our stock ownership, including this offering, some of which may be outside of our control. We have not conducted a detailed study to document whether our historical activities qualify to support the research and development credit carryforwards. A detailed study could result in adjustment to our research and development credit carryforwards. If we determine that an ownership change has occurred and our ability to use our historical net operating loss and tax credit carryforwards is materially limited, or if our research and development carryforwards are adjusted, it would harm our future operating results by effectively increasing our future tax obligations.

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

We have never declared nor paid cash dividends on our capital stock. We currently plan to retain all of our future earnings, if any, to finance the operation, development and growth of our business. In addition, the terms of any of our existing, and potentially future, debt or credit agreements will preclude us from paying dividends. For example, under our loan and security agreement with Solar Capital Ltd. and Silicon Valley Bank, we are restricted from paying any dividends or making any distributions on account of our capital stock. As a result, capital appreciation, if any, of our common stock will be your sole source of gain for the foreseeable future.

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

Based upon shares outstanding as of June 30, 2017, and after giving effect to the conversion of all outstanding shares of preferred stock into 72,712,255 shares of our common stock, our executive officers and directors, combined with our stockholders who owned more than 5% of our outstanding common stock before this offering and their affiliates, will, in the aggregate, beneficially own shares representing approximately \_\_\_\_\_ % of our common stock.

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As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership control may:

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

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

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

Provisions in our corporate charter and our bylaws that will become effective upon the closing of this offering may discourage, delay or prevent a merger, acquisition or other change in control of us that stockholders may consider favorable, including transactions in which you might otherwise receive a premium for your shares. These provisions could also limit the price that investors might be willing to pay in the future for shares of our common stock, thereby depressing the market price of our common stock. In addition, because our board of directors is responsible for appointing the members of our management team, these provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

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

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

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

The trading market for our common stock will likely depend in part on the research and reports that securities or industry analysts publish about us or our business. We do not have any control over these analysts. We do not

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

## SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including the sections entitled “Prospectus Summary,” “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and “Business,” contains express or implied forward-looking statements that are based on our management’s belief and assumptions and on information currently available to our management. Although we believe that the expectations reflected in these forward-looking statements are reasonable, these statements relate to future events or our future operational or financial performance, and involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by these forward-looking statements. Forward-looking statements in this prospectus include, but are not limited to, statements about:

- the timing or likelihood of approval by the FDA of our new drug application for Furoscix;
- the acceptance by the FDA of our new drug application for Furoscix;
- the timing or likelihood of other regulatory filings and approvals, including any approval to market and sell subcutaneous ceftriaxone;
- the commercialization, marketing and manufacturing of Furoscix or any other of our product candidates, if approved;
- the pricing and reimbursement of Furoscix or any other of our product candidates, if approved;
- the rate and degree of market acceptance and clinical utility of Furoscix or any other of our product candidates for which we receive marketing approval;
- the initiation, timing, progress and results of our research and development programs, including subcutaneous ceftriaxone and future preclinical and clinical studies;
- our ability to advance any other product candidates into, and successfully complete, clinical studies and obtain regulatory approval for them;
- our ability to identify additional product candidates;
- the implementation of our strategic plans for our business, product candidates and technology;
- the scope of protection we are able to establish and maintain for intellectual property rights covering Furoscix or any other of our product candidates and technology;
- our expectations related to the use of proceeds from this offering, and estimates of our expenses, future revenues, capital requirements and our needs for additional financing;
- our ability to manufacture, or the ability of third parties to deliver, sufficient quantities of components and drug product for commercialization of Furoscix or any other of our product candidates;
- our ability to maintain and establish collaborations;
- our financial performance;
- developments relating to our competitors and our industry, including the impact of government regulation; and
- other risks and uncertainties, including those listed under the caption “Risk Factors.”

In some cases, forward-looking statements can be identified by terminology such as “may,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” “continue” or the negative of these terms or other comparable terminology. These statements are only predictions. You should not place undue reliance on forward-looking statements because they involve known and unknown risks, uncertainties and other factors, which are, in some cases, beyond our control and which could materially affect results. Factors that may cause actual results to differ materially from current expectations include, among other things, those listed under the section entitled “Risk Factors” and elsewhere in this prospectus. If one or more of these risks or uncertainties occur, or if our underlying assumptions prove to be incorrect, actual events or results may vary significantly from those implied or projected by the forward-looking statements. No forward-looking statement is a guarantee of future performance. You should read this prospectus and the documents that we reference in this prospectus and have filed with the Securities and Exchange Commission as exhibits to the registration statement, of which this prospectus is a part, completely and with the understanding that our actual future results may be materially different from any future results expressed or implied by these forward-looking statements.



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The forward-looking statements in this prospectus represent our views as of the date of this prospectus. We anticipate that subsequent events and developments will cause our views to change. However, while we may elect to update these forward-looking statements at some point in the future, we have no current intention of doing so except to the extent required by applicable law. You should therefore not rely on these forward-looking statements as representing our views as of any date subsequent to the date of this prospectus.

This prospectus includes statistical and other industry and market data that we obtained from industry publications and research, surveys and studies conducted by third parties. Industry publications and third-party research, surveys and studies generally indicate that their information has been obtained from sources believed to be reliable, although they do not guarantee the accuracy or completeness of such information. We are responsible for all of the disclosure contained in this prospectus, and we believe these industry publications and third-party research, surveys and studies are reliable.

## USE OF PROCEEDS

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

A \$1.00 increase (decrease) in the assumed initial public offering price of \$       per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the net proceeds to us from this offering by \$       million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. A 1.0 million share increase (decrease) in the number of shares offered by us, as set forth on the cover page of this prospectus, would increase (decrease) our net proceeds from this offering by \$       million, assuming no change in the assumed initial public offering price per share and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. We do not expect that a change in the offering price or the number of shares by these amounts would have a material effect on our intended uses of the net proceeds from this offering, although it may impact the amount of time prior to which we may need to seek additional capital.

We currently intend to use the net proceeds from this offering, together with our existing unrestricted cash, as follows:

- approximately \$       million to \$       million for the pre-commercial planning and commercialization of Furoscix, if approved, including the development of our sales and marketing infrastructure;
- approximately \$       million to \$       million for the automation necessary to increase manufacturing capacity for our sc2Wear Infusor;
- approximately \$       million to \$       million for research and development, including for our infectious diseases program; and
- the remaining for working capital and other general corporate purposes.

Based on our current plans, we believe our existing unrestricted cash, together with the net proceeds from this offering, will be sufficient to fund our operations through       .

This expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions. For example, we may use a portion of the net proceeds for the acquisition of businesses or technologies to continue to build our pipeline, our research and development capabilities and our intellectual property position, although we currently have no agreements, commitments or understandings with respect to any such transaction. We cannot predict with certainty all of the particular uses for the net proceeds to be received upon the completion of this offering or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures may vary significantly depending on numerous factors, including the results of the review by the FDA of our NDA for Furoscix, the progress of our research and development, the status of and results from non-clinical studies or clinical trials we may commence in the future, as well as any collaborations that we may enter into with third parties for our product candidates or strategic opportunities that become available to us, and any unforeseen cash needs. As a result, our management will retain broad discretion over the allocation of the net proceeds from this offering.

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

## DIVIDEND POLICY

We have never declared or paid any cash dividends on our capital stock. We currently intend to retain all available funds and any future earnings to support our operations and finance the growth and development of our business. We do not intend to pay cash dividends on our common stock for the foreseeable future. Any future determination related to dividend policy will be made at the discretion of our board of directors and will depend on, among other factors, our results of operations, financial condition, capital requirements, contractual restrictions, business prospects and other factors our board of directors may deem relevant. Investors should not purchase our common stock with the expectation of receiving cash dividends. In addition, under our loan and security agreement with Solar Capital Ltd. and Silicon Valley Bank, we are restricted from paying any dividends or making any distributions on account of our capital stock. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources” for a description of the restrictions on our ability to pay dividends.

## CAPITALIZATION

The following table sets forth our cash and restricted cash and total capitalization as of June 30, 2017:

- on an actual basis;
- on a pro forma basis to give effect to: (i) the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2017 into an aggregate of 72,712,255 shares of common stock immediately prior to the closing of this offering; (ii) payment by us of \$400,000 pursuant to our Exit Fee Agreement with Solar Capital Ltd. and Silicon Valley Bank immediately prior to the closing of this offering; and (iii) the effectiveness of our amended and restated certificate of incorporation upon the closing of this offering; and
- on a pro forma as adjusted basis to give effect to: (i) the pro forma adjustments set forth above and (ii) the sale and issuance of shares of common stock in this offering, at the assumed initial public offering price of \$ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The pro forma as adjusted information below is illustrative only, and our capitalization following the completion of this offering will be adjusted based on the actual initial public offering price and other terms of this offering determined at pricing.

You should read this table together with “Use of Proceeds,” “Selected Financial Data,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our financial statements and related notes included elsewhere in this prospectus.

(in thousands, except shares and per share data)	AS OF JUNE 30, 2017		
	ACTUAL	PRO FORMA (unaudited)	PRO FORMA AS ADJUSTED
Cash and restricted cash (1)	\$ 38,081	\$ 37,681	\$
Term loan	\$ 9,308	\$ 9,308	\$
Derivative liability	392	—	
Convertible preferred stock, \$0.0001 par value; 72,712,255 shares authorized, 72,712,255 shares issued and outstanding, actual; no shares authorized, issued or outstanding, pro forma and pro forma as adjusted	73,094	—	—
Stockholders' (deficit) equity:			
Preferred stock, \$0.0001 par value; no shares authorized, issued or outstanding, actual; shares authorized, no shares issued or outstanding, pro forma and pro forma as adjusted			
Common stock, \$0.0001 par value; 95,000,000 shares authorized, 7,732,129 shares issued and outstanding, actual; shares authorized, shares issued and outstanding, pro forma; shares authorized, shares issued and outstanding, pro forma as adjusted (2)	1	8	
Additional paid-in capital	6,465	79,552	
Accumulated deficit	(54,647)	(54,655)	
Total stockholders' (deficit) equity	(48,181)	24,905	
Total capitalization	<u>\$ 34,613</u>	<u>\$ 34,213</u>	<u>\$</u>

(1) Includes \$182,000 of restricted cash related to a letter of credit issued as a security deposit in connection with our office lease in Burlington, Massachusetts.

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(2) Total shares issued and outstanding does not include an additional 8,752 shares subject to a right of repurchase by us pursuant to a stock restriction agreement between us and the holders of such shares.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$        per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted amount of cash and restricted cash, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$        million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us in this offering would increase (decrease) the pro forma as adjusted amount of cash and restricted cash, additional paid-in capital, total stockholders' equity and total capitalization by approximately \$        million, assuming the assumed initial public offering price of \$        per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

The table above excludes the following shares:

- 7,557,601 shares of common stock issuable upon the exercise of stock options outstanding as of June 30, 2017, with a weighted-average exercise price of \$0.66 per share;
- shares of common stock issuable upon the exercise of stock options granted after June 30, 2017, with a weighted average exercise price of \$        per share;
- an additional 1,144,836 shares of common stock reserved for future issuance under our 2014 Stock Incentive Plan as of June 30, 2017; and
- an additional        shares of common stock reserved for future issuance under our 2017 Stock Option and Incentive Plan upon the effectiveness of the registration statement of which this prospectus is a part.

## DILUTION

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

As of June 30, 2017, our historical net tangible book value (deficit) was \$(48.2) million, or \$(6.23) per share of our common stock. Net tangible book value (deficit) per share represents our total tangible assets (total assets less intangible assets) less total liabilities and preferred stock, divided by the total number of our outstanding shares of common stock.

Our pro forma net tangible book value as of June 30, 2017 was approximately \$24.9 million, or \$0.31 per share of pro forma common stock. Pro forma net tangible book value per share represents the amount of our total tangible assets (total assets less intangible assets) less total liabilities, divided by the total number of outstanding shares of our common stock, after giving effect to (i) the automatic conversion of all outstanding shares of our convertible preferred stock as of June 30, 2017 into an aggregate of 72,712,255 shares of common stock and (ii) the payment by us of \$400,000 pursuant to our Exit Fee Agreement with Solar Capital Ltd. and Silicon Valley Bank, in each case immediately prior to the closing of this offering.

After giving effect to (i) the pro forma adjustments set forth above and (ii) the sale and issuance of \_\_\_\_\_ shares of common stock in this offering, at the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us, our pro forma as adjusted net tangible book value as of June 30, 2017 would have been approximately \$ \_\_\_\_\_ million, or \$ \_\_\_\_\_ per share of our common stock. This represents an immediate increase in pro forma net tangible book value of approximately \$ \_\_\_\_\_ per share to our existing stockholders and an immediate dilution of \$ \_\_\_\_\_ per share to investors.

Dilution per share to investors participating in this offering is determined by subtracting pro forma as adjusted net tangible book value per share after this offering from the initial public offering price per share paid by investors participating in this offering. The following table illustrates this dilution (without giving effect to any exercise by the underwriters of their option to purchase additional shares):

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Assumed initial public offering price per share		\$
Historical net tangible book value per share as of June 30, 2017		\$(6.23)
Increase in net tangible book value per share attributable to pro forma adjustments described above		6.54
Pro forma net tangible book value per share as of June 30, 2017		0.31
Increase in pro forma net tangible book value per share attributable to investors participating in this offering		_____
Pro forma as adjusted net tangible book value per share after this offering		_____
Dilution in pro forma as adjusted net tangible book value per share to new investors participating in this offering		\$ _____

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If the underwriters exercise their option to purchase additional shares in full, our pro forma as adjusted net tangible book value per share after this offering would be approximately \$ \_\_\_\_\_ per share, and the dilution in pro forma as adjusted net tangible book value per share to new investors participating in this offering would be \$ \_\_\_\_\_ per share.

A \$1.00 increase (decrease) in the assumed initial public offering price of \$ \_\_\_\_\_ per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the pro forma as adjusted net tangible book value by \$ \_\_\_\_\_ per share and the dilution to investors participating in this offering by \$ \_\_\_\_\_ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us.

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Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us in this offering would increase (decrease) the pro forma as adjusted net tangible book value by \$            per share and the dilution to investors participating in this offering by \$            per share, assuming the assumed initial public offering price of \$            per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated expenses payable by us.

The following table summarizes, on a pro forma as adjusted basis as of June 30, 2017, the differences between the number of shares of common stock purchased from us, the total cash consideration and the average price per share paid to us by existing stockholders and by new investors purchasing shares in this offering, at the assumed initial public offering price of \$            per share, the midpoint of the price range set forth on the cover of this prospectus before deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us:

	SHARES PURCHASED		TOTAL CONSIDERATION		AVERAGE PRICE PER SHARE
	NUMBER	PERCENT	AMOUNT	PERCENT	
Existing stockholders		%	\$	%	\$
New investors participating in this offering					
Total		100%	\$	100%	

If the underwriters exercise their option to purchase additional shares in full, the number of shares of common stock held by existing stockholders will be reduced to        % of the total number of shares of common stock to be outstanding after this offering, and the number of shares of common stock held by investors participating in this offering will be further increased to        % of the total number of shares of common stock to be outstanding after this offering.

The above discussion and tables are based on 7,740,881 shares of common stock issued and outstanding as of June 30, 2017 (of which 8,752 shares are subject to a right of repurchase by us pursuant to a stock restriction agreement between us and the holders of such shares) and gives effect to the conversion of all of our outstanding preferred stock into 72,712,255 shares of our common stock immediately prior to the closing of this offering and excludes:

- 7,557,601 shares of common stock issuable upon the exercise of stock options outstanding as of June 30, 2017, with a weighted average exercise price of \$0.66 per share;
- shares of common stock issuable upon the exercise of stock options granted after June 30, 2017, with a weighted average exercise price of \$            per share;
- an additional 1,144,836 shares of common stock reserved for future issuance under our 2014 Stock Incentive Plan as of June 30, 2017; and
- an additional            shares of common stock reserved for future issuance under our 2017 Stock Option and Incentive Plan upon the effectiveness of the registration statement of which this prospectus is a part).

A \$1.00 increase (decrease) in the assumed initial public offering price of \$            per share, the midpoint of the price range set forth on the cover page of this prospectus, would increase (decrease) the total consideration paid by investors in this offering by approximately \$            million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us. Similarly, each increase (decrease) of 1.0 million shares in the number of shares offered by us in this offering would increase (decrease) the total consideration paid by investors in this offering by approximately \$            million, assuming the assumed initial public offering price of \$            per share, the midpoint of the price range set forth on the cover page of this prospectus, remains the same, and after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.



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To the extent that outstanding options are exercised or shares are issued under our equity incentive plans, you will experience further dilution. In addition, we may choose to raise additional capital due to market conditions or strategic considerations even if we believe we have sufficient funds for our current or future operating plans. To the extent that additional capital is raised through the sale of equity or convertible debt securities, the issuance of these securities may result in further dilution to our stockholders.

## SELECTED FINANCIAL DATA

The selected statements of operations data for the years ended December 31, 2015 and 2016 and the balance sheet data as of December 31, 2015 and 2016 are derived from our audited financial statements included elsewhere in this prospectus. The selected statement of operations data for the six months ended June 30, 2016 and 2017 and the balance sheet data as of June 30, 2017 have been derived from our unaudited interim condensed financial statements included elsewhere in this prospectus. The unaudited interim condensed financial statements were prepared on a basis consistent with our audited financial statements and reflect, in the opinion of management, all adjustments of a normal recurring nature that are necessary for the fair presentation of our financial position as of June 30, 2017 and our results of operations for the six months ended June 30, 2016 and 2017. Our historical results are not necessarily indicative of the results that may be expected in any future period, and the results for the six months ended June 30, 2017 are not necessarily indicative of results to be expected for the full year ending December 31, 2017, or any other period.

The following selected financial data should be read with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and related notes included elsewhere in this prospectus. The selected financial data in this section are not intended to replace the financial statements and are qualified in their entirety by the financial statements and related notes included elsewhere in this prospectus.

(in thousands, except share and per share data)	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	2015	2016	2016	2017
			(unaudited)	
<b>Statements of operations data:</b>				
Operating expenses:				
Research and development	\$ 8,267	\$ 11,856	\$ 5,222	\$ 7,030
General and administrative	2,577	6,054	2,951	4,448
Total operating expenses	10,844	17,910	8,173	11,478
Loss from operations	(10,844)	(17,910)	(8,173)	(11,478)
Interest expense, net	—	(6,505)	(1,819)	(37)
Fair value adjustments to Series A purchase rights	394	—	—	—
Other (expense) income, net	(68)	38	17	67
Net loss and comprehensive loss	\$ (10,518)	\$ (24,377)	\$ (9,975)	\$ (11,448)
Net loss per share, basic and diluted (1)	\$ (1.92)	\$ (3.48)	\$ (1.57)	\$ (1.49)
Weighted-average common shares outstanding, basic and diluted (1)	5,479,296	6,998,254	6,334,471	7,695,927
Pro forma net loss per share, basic and diluted (unaudited) (1)		\$ (0.85)		\$ (0.14)
Pro forma weighted-average common shares outstanding, basic and diluted (unaudited) (1)		28,647,927		80,408,182

(1) See Notes 2 and 3 to our audited financial statements and Notes 2 and 4 to our unaudited interim condensed financial statements included elsewhere in this prospectus for an explanation of the calculations of our basic and diluted net loss per share, basic and diluted pro forma net loss per share and the shares used in computing basic and diluted net loss per share and basic and diluted pro forma net loss per share.

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(in thousands)	AS OF DECEMBER 31,		AS OF
	2015	2016	JUNE 30, 2017 (unaudited)
<b>Balance sheet data:</b>			
Cash and restricted cash (1)	\$ 1,573	\$ 39,282	\$ 38,081
Working capital (2)	(187)	36,004	34,421
Total assets	1,846	39,772	39,329
Term loan	—	—	9,308
Derivative liability	—	—	392
Convertible preferred stock	18,073	73,103	73,094
Accumulated deficit	(18,822)	(43,199)	(54,647)
Total stockholders' deficit	(18,240)	(37,074)	(48,181)

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(1) Includes \$182,000 of restricted cash related to a letter of credit issued as a security deposit in connection with our office lease in Burlington, Massachusetts.

(2) We define working capital as current assets less current liabilities.

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

*You should read the following discussion and analysis of our financial condition and results of operations together with our financial statements and the related notes appearing at the end of this prospectus. Some of the information contained in this discussion and analysis or set forth elsewhere in this prospectus, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks, uncertainties and assumptions. You should read the "Special Note Regarding Forward-Looking Statements" and "Risk Factors" sections of this prospectus for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.*

### OVERVIEW

We are a pharmaceutical company focused on developing and commercializing products that have the potential to transform the way therapy is delivered, advance patient care and reduce healthcare costs. Our proprietary platform is designed to enable the subcutaneous administration of therapies that have previously been limited to intravenous, or IV, delivery. By moving delivery away from the high-cost healthcare settings typically required for IV administration, we believe our technology reduces overall healthcare costs and advances the quality and convenience of care. Our lead product candidate, Furoscix, consists of our patented subcutaneous formulation of furosemide delivered via our sc2Wear Infusor and is under development for treatment of worsening, or decompensated, heart failure outside of the inpatient setting. We filed a new drug application, or NDA, for Furoscix, with the U.S. Food and Drug Administration, or FDA, in August 2017. We believe Furoscix, if approved by the FDA, would allow heart failure patients to receive IV-strength diuresis with earlier discharge from, or potentially without admission to, the high-cost hospital setting.

Since our inception in February 2013, we have devoted substantially all of our resources to organizing and staffing our company, business planning, raising capital, planning for commercialization, and conducting discovery, research and development activities for our product candidates. We do not have any products approved for sale and have not generated any revenue from product sales. We have funded our operations to date primarily with proceeds from the sale of preferred stock and borrowings under convertible notes and a term loan. As of June 30, 2017, we had received net cash proceeds of \$56.7 million from sales of our preferred stock, net cash proceeds of \$13.5 million from sales of convertible notes and net proceeds of \$9.7 million from borrowings under our term loan.

For the years ended December 31, 2015 and 2016, our net loss was \$10.5 million and \$24.4 million, respectively, and for the six months ended June 30, 2017, our net loss was \$11.4 million. We have not been profitable since inception, and as of June 30, 2017, our accumulated deficit was \$54.6 million. We expect to continue to incur net losses for the foreseeable future as we commercialize our products in the United States, including building our sales and marketing organization, continue research and development efforts, and seek regulatory approval for new product candidates and product enhancements. We will need additional funding to pay expenses relating to our operating activities, including selling, general and administrative expenses and research and development expenses. Adequate funding may not be available to us on acceptable terms, or at all. Our failure to obtain sufficient funds on acceptable terms when needed could have a material adverse effect on our business, results of operations or financial condition.

### COMPONENTS OF OUR RESULTS OF OPERATIONS

#### *Research and Development Expenses*

Research and development, or R&D, expenses consist of the cost of engineering, clinical trials, regulatory and medical affairs and quality assurance associated with developing our proprietary technology and product candidates. R&D expenses consist primarily of:

- employee-related expenses, including salaries, benefits, travel expense and stock-based compensation expense;
- cost of outside consultants who assist with technology development, regulatory affairs, clinical trials and medical affairs, and quality assurance;

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- cost of clinical trial activities performed by third parties; and
- cost of facilities and supplies used for internal research and development and clinical activities.

We expense R&D costs as incurred. Given the emphasis to date on our lead product candidate Furoscix, our R&D expenses have not been allocated on a program-specific basis. In the future, we expect R&D expenses to increase in absolute dollars as we continue to develop new products and enhance existing products and technologies. We anticipate that our expenses will increase significantly as we:

- continue to advance our pipeline programs beyond Furoscix;
- continue our current research and development activity;
- seek to identify additional research programs and additional product candidates;
- initiate preclinical testing and clinical trials for any product candidates we identify and develop, maintain, expand and protect our intellectual property portfolio; and
- hire additional research, clinical and scientific personnel.

### General and Administrative Expenses

General and administrative, or G&A, expenses consist of employee-related expenses, including salaries, benefits, travel expense and stock-based compensation expense for personnel in executive, finance, facility operations and administrative functions. Other G&A expenses include promotional activities, marketing, conferences and trade shows, professional services fees, including legal, audit and tax fees, insurance costs, general corporate expenses and allocated facilities-related expenses. We expect to grow our sales and marketing force significantly in the near future in preparation for the commercial launch of Furoscix in the United States. As a result, we expect G&A expenses to significantly increase for the foreseeable future as we expand our sales and marketing infrastructure to drive and support anticipated growth and due to the additional legal, accounting, insurance and other expenses associated with becoming a public company.

## RESULTS OF OPERATIONS

### Comparison of Six Months Ended June 30, 2016 and 2017

The following table summarizes our results of operations for the six months ended June 30, 2016 and 2017:

(in thousands)	SIX MONTHS ENDED JUNE 30		INCREASE (DECREASE)
	2016	2017	
<b>Statements of operations data:</b>			
Operating expenses:			
Research and development	\$ 5,222	\$ 7,030	\$ 1,808
General and administrative	2,951	4,448	1,497
Total operating expenses	<u>8,173</u>	<u>11,478</u>	<u>3,305</u>
Loss from operations	(8,173)	(11,478)	3,305
Other income	17	67	50
Interest income	1	95	94
Interest expense	(1,820)	(132)	(1,688)
Net loss	<u><u>\$ (9,975)</u></u>	<u><u>\$ (11,448)</u></u>	<u><u>\$ 1,473</u></u>

*Research and development expenses.* R&D expenses increased \$1.8 million to \$7.0 million during the six months ended June 30, 2017, compared to \$5.2 million during the six months ended June 30, 2016. This increase was primarily attributable to a \$0.9 million increase related to contract services for device engineering and pharmaceutical development, related to Furoscix, a \$0.7 million increase in regulatory consulting costs, a \$0.5 million increase in employee-related expenses associated with additional headcount, and a \$0.1 million increase in packaging costs related to clinical trials and development during the six months ended June 30, 2017. This increase was partially offset by a \$0.3 million decrease in outsourced clinical and medical affairs activity.

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*General and administrative expenses.* G&A expenses increased \$1.5 million to \$4.4 million during the six months ended June 30, 2017, compared to \$3.0 million during the six months ended June 30, 2016. This increase was primarily attributable to a \$1.0 million increase in employee-related expenses associated with additional headcount and recruiting and a \$0.4 million increase in consulting and professional services due to the expansion of our commercial organization during the six months ended June 30, 2017.

*Other income.* Other income increased \$50,000 to \$67,000 during the six months ended June 30, 2017, compared to \$17,000 during the six months ended June 30, 2016. This increase was primarily attributable foreign exchange gains due to increased activity denominated in foreign currency combined with foreign currency fluctuations.

*Interest income.* Interest income increased \$94,000 to \$95,000 during the six months ended June 30, 2017, compared to \$1,000 during the six months ended June 30, 2016. This increase was primarily attributable to higher cash balances during the six months ended June 30, 2017 following our Series B preferred stock financing in December 2016. We expect interest income to increase in the foreseeable future as we anticipate cash proceeds from this offering.

*Interest expense.* Interest expense decreased \$1.7 million from the six months ended June 30, 2016 to \$0.1 million during the six months ended June 30, 2017. This decrease was primarily attributable to the conversion of convertible notes outstanding at June 30, 2016 to Series A preferred stock in August 2016. We expect interest expense to increase due to the \$10.0 million loan entered into in May 2017 with Solar Capital Ltd. and Silicon Valley Bank.

### **Comparison of the Years Ended December 31, 2015 and 2016**

The following table summarizes our results of operations for the years ended December 31, 2015 and 2016:

(in thousands)	YEAR ENDED DECEMBER 31,		INCREASE (DECREASE)
	2015	2016	
<b>Statements of operations data:</b>			
Operating expenses:			
Research and development	\$ 8,267	\$ 11,856	\$ 3,589
General and administrative	2,577	6,054	3,477
Total operating expenses	10,844	17,910	7,066
Loss from operations	(10,844)	(17,910)	7,066
Fair value adjustments to Series A purchase rights	394	—	(394)
Other (expense) income	(68)	38	106
Interest income	—	7	7
Interest expense	—	(6,512)	6,512
Net loss	<u>\$(10,518)</u>	<u>\$(24,377)</u>	<u>\$ 13,859</u>

*Research and development expenses.* R&D expenses increased \$3.6 million to \$11.9 million during the year ended December 31, 2016, compared to \$8.3 million during the year ended December 31, 2015. This increase was primarily attributable to a \$2.8 million increase in device engineering costs related to the sc2Wear Infusor, an increase of \$0.4 million in clinical trial supplies, an increase of \$0.4 million in employee-related expenses associated with additional headcount, and an increase of \$0.2 million in quality assurance consulting. These increases were offset by a decrease in pharmaceutical development costs of \$0.2 million.

*General and administrative expenses.* G&A expenses increased \$3.5 million to \$6.1 million during the year ended December 31, 2016, compared to \$2.6 million during the year ended December 31, 2015. This increase was primarily attributable to a \$1.8 million increase in employee-related expenses associated with additional headcount and recruiting, a \$1.0 million increase in outsourced services to support the expansion of our commercial organization, a \$0.1 million increase in tradeshows and symposiums and a \$0.5 million increase in legal fees.

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*Fair value adjustments to Series A purchase rights.* Fair value adjustments to Series A purchase rights decreased \$0.4 million to \$0 during the year ended December 31, 2016, compared to \$0.4 million during the year ended December 31, 2015. This decrease was due to the exercise of the Series A purchase rights in April 2015.

*Other (expense) income.* Other income increased \$106,000 to \$38,000 during the year ended December 31, 2016, compared to an expense of \$68,000 during the year ended December 31, 2015. This increase was primarily attributable to foreign exchange gains due to increased activity denominated in foreign currency combined with foreign currency fluctuations.

*Interest income.* Interest income increased \$7,000 to \$7,000 during the year ended December 31, 2016, compared to \$0 during the year ended December 31, 2015. This increase was primarily attributable to higher cash balances following our Series B preferred stock financing in December 2016.

*Interest expense.* Interest expense increased \$6.5 million to \$6.5 million during the year ended December 31, 2016. The increase in interest expense was attributable to non-cash interest related to convertible notes issued and converted into shares of our Series A preferred stock in August 2016.

## **LIQUIDITY AND CAPITAL RESOURCES**

As of June 30, 2017, we had unrestricted cash of \$37.9 million and an accumulated deficit of \$54.6 million. Our primary sources of capital have been private placements of preferred stock and the incurrence of debt. To date, we have received net cash proceeds of \$56.7 million from sales of our preferred stock, and \$13.5 million in net proceeds from convertible notes payable. Additionally, in May 2017 we incurred \$10.0 million of debt under a loan and security agreement with Solar Capital Ltd. and Silicon Valley Bank.

We expect to incur substantial additional expenditures in the next twelve months to support our ongoing activities and the commercial launch of Furoscix, if approved, in the United States. We believe existing unrestricted cash along with the proceeds from this offering is sufficient to fund these operations through . We expect our costs and expenses to increase in the future as we prepare for and, if approved, commence U.S. commercialization of Furoscix, including the development of a direct sales force, and as we continue to make substantial expenditures on research and development, including to increase our manufacturing capacity and for conducting clinical trials of our product candidates. Additionally, we expect to incur additional costs as a result of operating as a public company. Our future capital requirements will depend on many factors, including:

- the costs and expenses of establishing our U.S. sales and marketing infrastructure;
- the degree of success we experience in commercializing Furoscix, if approved;
- the revenue generated by sales of Furoscix, if approved and other products that may be approved;
- the pricing and reimbursement of Furoscix, if approved and of other product candidates that may be approved;
- the costs, timing and outcomes of clinical trials and regulatory reviews associated with our product candidates;
- the costs and timing of developing variations of our sc2Wear Infusor and, if necessary, obtaining FDA approval of such variations;
- the emergence of competing or complementary technological developments;
- the extent to which Furoscix, if approved, is adopted by the healthcare community;
- the number and types of future products we develop and commercialize;
- the costs of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims; and
- the extent and scope of our general and administrative expenses.

Additional financing may not be available on a timely basis on terms acceptable to us, or at all. We may raise funds in equity, royalty-based or debt financings following our initial public offering or enter into additional credit facilities in order to access funds for our capital needs. If we raise additional funds through further issuances of equity or convertible debt securities, our existing stockholders could suffer significant dilution in their percentage ownership



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of our company, and any new equity securities we issue could have rights, preferences and privileges senior to those of holders of our common stock. If we raise additional funds through royalty-based financing arrangements, we will agree to relinquish rights to potentially valuable future revenue streams and may agree to covenants that restrict our operations or strategic flexibility. Any debt financing obtained by us in the future would cause us to incur additional debt service expenses and could include restrictive covenants relating to our capital raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital and pursue business opportunities. If we are unable to obtain adequate financing or financing on terms satisfactory to us when we require it, we may terminate or delay the development of one or more of our products, delay clinical trials necessary to market our products, or delay establishment or expansion of sales and marketing capabilities or other activities necessary to commercialize our products.

### **Loan and Security Agreement**

In May 2017, we entered into a \$10.0 million loan and security agreement, or the 2017 Loan Agreement, with Solar Capital Ltd. and Silicon Valley Bank.

The interest rate under the 2017 Loan Agreement is LIBOR plus 8.45%, and there is an interest-only period until November 30, 2018, followed by a 30-month principal and interest period. Pursuant to the 2017 Loan Agreement, we provided a first priority security interest in all existing and after-acquired assets, excluding intellectual property, owned by us.

As of June 30, 2017, unpaid borrowings under the 2017 Loan Agreement totaled \$10.0 million. For the six months ended June 30, 2017, we recorded \$21,000 related to the amortization of debt discount associated with the 2017 Loan Agreement.

The 2017 Loan Agreement allows us to voluntarily prepay all (but not less than all) of the outstanding principal at any time. A prepayment premium of 3% or 1% through the one year anniversary and thereafter, respectively, would be assessed on the outstanding principal. A final payment fee of \$250,000 is due upon the earlier to occur of the maturity date of the 2017 Loan Agreement or prepayment of such borrowings.

In an event of default under the 2017 Loan Agreement, the interest rate will be increased by 5% and the balance under the loan may become immediately due and payable at the option of the lenders.

We entered into an exit fee agreement in connection with the 2017 Loan Agreement which provides for a payment to the lenders upon the occurrence of an exit event, as defined in the agreement, including an initial public offering, equal to 4% of the loan commitment, or \$400,000.

The 2017 Loan Agreement includes restrictions on, among other things, our ability to incur additional indebtedness, change the name or location of our business, merge with or acquire other entities, pay dividends or make other distributions to holders of our capital stock, make certain investments, engage in transactions with affiliates, create liens, sell assets or pay subordinated debt.

## **CASH FLOWS**

The following table summarizes our sources and uses of cash for each of the periods presented:

(in thousands)	YEAR ENDED DECEMBER 31,		SIX MONTHS ENDED JUNE 30,	
	2015	2016	2016	2017
Net cash (used in) provided by:				
Operating activities	\$ (9,640)	\$ (15,455)	\$ (6,166)	\$ (10,857)
Investing activities	(17)	(9)	—	(12)
Financing activities	8,017	53,173	7,369	9,668
Net (decrease) increase in cash and restricted cash	<u>\$ (1,640)</u>	<u>\$ 37,709</u>	<u>\$ 1,203</u>	<u>\$ (1,201)</u>

***Net Cash Used in Operating Activities***

During the six months ended June 30, 2017, net cash used in operating activities was \$10.9 million, consisting primarily of a net loss of \$11.4 million. This was offset by a decrease in net operating assets of \$0.2 million and non-cash charges of \$0.4 million. The decrease in net operating assets consisted primarily of an increase in accrued expenses and accounts payable related to employee-related costs, regulatory consulting, and pharmaceutical development. The non-cash charges primarily consisted of depreciation, stock-based compensation expense and non-cash interest expense related to amortization of debt discount associated with the 2017 Loan Agreement.

During the six months ended June 30, 2016, net cash used in operating activities was \$6.2 million, consisting primarily of a net loss of \$10.0 million, offset by a decrease in net operating assets of \$1.4 million and non-cash charges of \$2.4 million. The decrease in net operating assets consisted primarily of an increase in accrued expenses and accounts payable related to device engineering costs, employee-related costs, and the expansion of our commercial organization. The non-cash charges primarily consisted of depreciation, stock-based compensation expense and non-cash interest expense related to convertible notes payable.

During the year ended December 31, 2016, net cash used in operating activities was \$15.5 million, consisting primarily of a net loss of \$24.4 million, offset by a decrease in net operating assets of \$1.5 million and non-cash charges of \$7.4 million. The decrease in net operating assets primarily consisted of increased accruals for pharmaceutical development and accounts payable for clinical trials, device engineering costs, the expansion of our commercial organization, and legal costs associated with our Series B preferred stock financing. The non-cash charges primarily consisted of depreciation, stock-based compensation expense and non-cash interest expense related to convertible notes payable.

During the year ended December 31, 2015, net cash used in operating activities was \$9.6 million, consisting primarily of a net loss of \$10.5 million, offset by a decrease in net operating assets of \$0.9 million. The decrease in net operating assets was primarily attributable to increased accruals for device engineering costs and employee-related costs.

***Net Cash Used in Investing Activities***

During the years ended December 31, 2015 and 2016, and the six months ended June 30, 2017, net cash used in investing activities consisted of purchases of property and equipment.

***Net Cash Provided by Financing Activities***

During the six months ended June 30, 2017, net cash provided by financing activities was \$9.7 million, consisting primarily of net proceeds of \$9.7 million from borrowings under the 2017 Loan Agreement.

During the six months ended June 30, 2016, net cash provided by financing activities was \$7.4 million, consisting primarily of net proceeds of \$7.4 million from convertible notes payable.

During the year ended December 31, 2016, net cash provided by financing activities was \$53.2 million, consisting primarily of net proceeds of \$40.6 million from the issuance of Series B convertible preferred stock and net proceeds of \$12.5 million from convertible notes payable.

During the year ended December 31, 2015, net cash provided by financing activities was \$8.0 million, consisting of net proceeds of \$8.0 million from the issuance of Series A convertible preferred stock.

**OFF-BALANCE SHEET ARRANGEMENTS**

We currently have no off-balance sheet arrangements.

**CONTRACTUAL OBLIGATIONS**

The following table summarizes our contractual obligations as of December 31, 2016 and the effects that such obligations are expected to have on our liquidity and cash flows in future periods.

(in thousands)	PAYMENTS DUE BY PERIOD				
	TOTAL	LESS THAN 1 YEAR	1-3 YEARS	3-5 YEARS	MORE THAN 5 YEARS
Operating lease obligations (1)	\$ 427	\$ 90	\$ 197	\$ 140	\$ —
Total	\$ 427	\$ 90	\$ 197	\$ 140	\$ —

(1) Consists of obligations under a multi-year, non-cancelable building lease for our facility in Lexington, Massachusetts. The lease expires on December 31, 2022.

In June 2017, we entered into a multi-year agreement to lease office space in Burlington, Massachusetts under an operating lease agreement. Our contractual commitments under the lease total \$2.1 million. Payments under the contract are expected to commence in late 2017, four months following possession of the premises.

We have drawn down an aggregate of \$10.0 million from our 2017 Loan Agreement, as of June 30, 2017. Our contractual commitments under the 2017 Loan Agreement as of June 30, 2017 consist of an aggregate of \$13.3 million in repayment obligations, inclusive of related interest amounts, the \$400,000 exit fee and the \$250,000 final fee. See “—Loan and Security Agreement” for additional information regarding the 2017 Loan Agreement.

We enter into contracts in the normal course of business with clinical trial sites and manufacturing organizations and with vendors for preclinical studies, research supplies and other services and products for operating purposes. These contracts generally provide for termination after a notice period, and, therefore, are cancelable contracts and not included in the table above.

**CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

Management’s discussion and analysis of our financial condition and results of operations is based on our financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles, or U.S. GAAP. The preparation of these financial statements requires us to make estimates and assumptions for the reported amounts of assets, liabilities, revenue, expenses and related disclosures. Our estimates are based on our historical experience and on various other factors that we believe are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions and any such differences may be material.

While our significant accounting policies are more fully described in the notes to our financial statements appearing elsewhere in this prospectus, we believe the following discussion addresses our most critical accounting policies, which are those that are most important to our financial condition and results of operations and require our most difficult, subjective and complex judgments.

**Stock-Based Compensation Expense**

We have historically maintained our 2014 Stock Incentive Plan, or the Incentive Plan, to provide long-term incentive for employees, consultants and members of our board of directors. The Incentive Plan allows for the issuance of non-statutory and incentive stock options to employees and non-statutory stock options to consultants and non-employee directors.

We are required to determine the fair value of equity incentive awards and recognize compensation expense for all equity incentive awards, including employee stock options. We recognize this expense over the requisite service period. In addition, we recognize stock-based compensation expense in the statements of operations based on awards expected to vest and, therefore, the amount of expense has been reduced for estimated forfeitures. We use the straight-line method for expense attribution.

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The valuation model we used for calculating the fair value of awards for stock-based compensation expense is the Black-Scholes option-pricing model, or the Black-Scholes model. The Black-Scholes model requires us to make assumptions and judgments about the variables used in the calculation, including:

- *Expected term.* We do not believe we are able to rely on our historical exercise and post-vesting termination activity to provide accurate data for estimating the expected term for use in determining the fair value-based measurement of our options. Therefore, we have opted to use the "simplified method" for estimating the expected term of options, which is the average of the weighted-average vesting period and contractual term of the option.
- *Expected volatility.* Since there has been no public market for our common stock and lack of company specific historical volatility, we have determined the share price volatility for options granted based on an analysis of the volatility of a peer group of publicly traded companies. In evaluating similarity, we consider factors such as stage of development, risk profile, enterprise value and position within the industry.
- *Risk-free interest rate.* The risk-free interest rate is based on the U.S. Treasury yield in effect at the time of the grant for zero-coupon U.S. Treasury notes with remaining terms similar to the expected term of the options.
- *Dividend rate.* We assumed the expected dividend to be zero as we have never paid dividends and have no current plans to do so.
- *Expected forfeiture rate.* We are required to estimate forfeitures at the time of grant, and revise those estimates in subsequent periods if actual forfeitures differ from those estimates. We use historical data to estimate pre-vesting option forfeitures and record share-based compensation expense only for those awards that are expected to vest.
- *Service period.* We amortize all stock-based compensation over the requisite service period of the awards, which is generally the same as the vesting period of the awards. We amortize the stock-based compensation cost on a straight-line basis over the expected service periods.
- *Fair value of common stock.* As there has been no public market for our common stock to date, the estimated fair value of our common stock has been determined by our board of directors as of the date of each option grant, with input from management, considering our most recently available third-party valuations of common stock and our board of directors' assessment of additional objective and subjective factors that it believed were relevant and which may have changed from the date of the most recent valuation through the date of the grant. These third-party valuations were performed in accordance with the guidance outlined in the American Institute of Certified Public Accountants' Accounting and Valuation Guide, *Valuation of Privately-Held-Company Equity Securities Issued as Compensation*. Our common stock valuations were prepared using the hybrid method, which used market approaches to estimate our enterprise value. The hybrid method is a probability-weighted expected return method, or PWERM, where the equity value in one or more of the scenarios is calculated using an option-pricing method, or OPM. The OPM treats common stock and preferred stock as call options on the total equity value of a company, with exercise prices based on the value thresholds at which the allocation among the various holders of a company's securities changes. Under this method, the common stock has value only if the funds available for distribution to stockholders exceeded the value of the preferred stock liquidation preferences at the time of the liquidity event, such as a strategic sale or a merger. The PWERM is a scenario-based methodology that estimates the fair value of common stock based upon an analysis of future values for the company, assuming various outcomes. The common stock value is based on the probability-weighted present value of expected future investment returns considering each of the possible outcomes available as well as the rights of each class of stock. The future value of the common stock under each outcome is discounted back to the valuation date at an appropriate risk-adjusted discount rate and probability weighted to arrive at an indication of value for the common stock. Third-party valuations were performed at various dates, which resulted in valuations of our common stock of \$1.45 per share as of December 31, 2015, \$1.23 as of March 6, 2016, \$0.75 as of August 31, 2016, \$0.53 per share as of December 31, 2016 and \$0.69 per share as of June 30, 2017. In addition to considering the results of these third-party valuations, our board of directors considered various objective and subjective factors to determine the fair value of our common

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stock as of each grant date, which may be a date later than the most recent third-party valuation date, including:

- the prices at which we sold shares of preferred stock and the superior rights and preferences of the preferred stock relative to our common stock at the time of each grant;
- the progress of our research and development programs, including the status of preclinical studies and planned clinical trials for our product candidates;
- our stage of development and commercialization and our business strategy;
- external market conditions affecting the pharmaceutical and biotechnology industries, and trends within the biotechnology industry;
- our financial position, including cash on hand, and our historical and forecasted performance and operating results;
- the lack of an active public market for our common stock and our preferred stock;
- the likelihood of achieving a liquidity event, such as an initial public offering, or IPO, or a sale of our company in light of prevailing market conditions; and
- the analysis of IPOs and the market performance of similar companies in the biopharmaceutical industry.

The assumptions underlying these valuations represent management's best estimates, which involve inherent uncertainties and the application of management judgment. As a result, if factors or expected outcomes change and we use significantly different assumptions or estimates, our stock-based compensation expense could be materially different.

### **Options Granted**

The following table sets forth by grant date the number of shares subject to options granted between January 1, 2016 and June 30, 2017, the per share exercise price of the options, the fair value of common stock per share on each grant date, and the per share estimated fair value of the options:

GRANT DATE	NUMBER OF SHARES SUBJECT TO OPTIONS GRANTED	PER SHARE EXERCISE PRICE OF OPTIONS	FAIR VALUE OF COMMON STOCK PER SHARE ON GRANT DATE	PER SHARE ESTIMATED FAIR VALUE OF OPTIONS
March 16, 2016	1,065,000	\$ 1.23	\$ 1.23	\$ 0.89
May 31, 2016	650,000	\$ 1.23	\$ 1.23	\$ 0.95
June 7, 2016	10,000	\$ 1.23	\$ 1.23	\$ 0.93
July 6, 2016	50,000	\$ 1.23	\$ 1.23	\$ 0.93
September 9, 2016	55,000	\$ 0.75	\$ 0.75	\$ 0.56
March 7, 2017	3,671,222	\$ 0.53	\$ 0.53	\$ 0.37
April 17, 2017	1,338,278	\$ 0.53	\$ 0.53	\$ 0.36
June 27, 2017	46,500	\$ 0.53	\$ 0.53	\$ 0.38

For stock awards after the completion of this offering, our board of directors intends to determine the fair value of each share of underlying common stock based on the closing price of our common stock as reported on the date of grant.

The intrinsic value of all outstanding options as of June 30, 2017 was \$ \_\_\_\_\_ million based on the estimated fair value of our common stock of \$ \_\_\_\_\_ per share, which is the assumed initial public offering price per share of our common stock based on the midpoint of the price range set forth on the cover page of this prospectus.

If factors change and we employ different assumptions, stock-based compensation expense may differ significantly from what we have recorded in the past. If there are any modifications or cancellations of the underlying unvested securities, we may be required to accelerate, increase or cancel any remaining unearned stock-based compensation expense. To the extent that our assumptions are incorrect, the amount of stock-based compensation recorded will change.

### **Research and Development Expenses**

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

We base our expenses related to R&D activities on our estimates of the services received and efforts expended pursuant to quotes and contracts with vendors that conduct R&D on our behalf. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to our vendors will exceed the level of services provided and result in a prepayment of the R&D expense. In accruing service fees, we estimate the time period over which services will be performed and the level of effort to be expended in each period. If the actual timing of the performance of services or the level of effort varies from our estimate, we adjust the accrual or prepaid accordingly. Advance payments for goods and services that will be used in future R&D activities are expensed when the activity has been performed or when the goods have been received rather than when the payment is made.

Although we do not expect our estimates to be materially different from amounts actually incurred, if our estimates of the status and timing of services performed differ from the actual status and timing of services performed, it could result in us reporting amounts that are too high or too low in any particular period. To date, there has been no material differences between our estimates of such expenses and the amounts actually incurred.

### **Valuation of Derivative Liability**

In May 2017, we entered into an exit agreement in connection with the 2017 Loan Agreement, which provides for a payment to the lenders upon the occurrence of an exit event, as defined in the agreement, including an initial public offering. We classify the exit payment obligation as a liability on our balance sheet because it represents a contingent payment obligation that is not clearly and closely related to the host instrument and meets the definition of a derivative. The derivative liability was initially recorded at fair value upon execution of the 2017 Loan Agreement and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the derivative liability are recognized as a component of other income (expense), net in the statement of operations and comprehensive loss. Changes in the fair value of the derivative liability will continue to be recognized until an exit event occurs.

The fair value of the derivative liability recognized in connection with the 2017 Loan Agreement was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The fair value of the derivative liability was determined using the PWERM, which considered as inputs the timing and probability of occurrence of an exit event, the amount of the payment; and the risk-free discount rate reflecting the expected risk profile for each of the potential settlement scenarios. We determined that the change in the fair value of the derivative liability from the date of issuance through June 30, 2017 was not material.

### **JOBS ACT ACCOUNTING ELECTION**

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

## **NEW ACCOUNTING PRONOUNCEMENTS**

From time to time, new accounting pronouncements are issued by the Financial Accounting Standards Board, or FASB, or other standard setting bodies that are adopted by us as of the specified effective date. Unless otherwise discussed, we believe that the impact of recently issued standards that are not yet effective will not have a material impact on our financial position or results of operations upon adoption.

A description of recently issued accounting pronouncements that may potentially impact our financial position and results of operations is disclosed in Note 2 to our financial statements appearing at the end of this prospectus.

## **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks related to changes in foreign currency exchange rates and interest rates.

We contract with vendors in foreign countries. As such, we have exposure to adverse changes in exchange rates of foreign currencies, principally the Swiss franc and the Euro, associated with our foreign transactions. We believe this exposure to be immaterial. We currently do not hedge against this exposure to fluctuations in exchange rates.

Our exposure to market risk also relates to interest rate sensitivity, which is affected by changes in the general level of U.S. interest rates. As of June 30, 2017, our aggregate outstanding indebtedness was \$10.0 million, which bears interest at the rate equal to LIBOR plus 8.45%. Due to the short-term duration of our indebtedness, an immediate 100 basis point change in interest rates would not have a material effect on the fair market value of our debt instruments.



## BUSINESS

### OVERVIEW

We are a pharmaceutical company focused on developing and commercializing products that have the potential to transform the way therapy is delivered, advance patient care and reduce healthcare costs. Our proprietary platform is designed to enable the subcutaneous administration of therapies that have previously been limited to intravenous, or IV, delivery. By moving delivery away from the high-cost healthcare settings typically required for IV administration, we believe our technology reduces overall healthcare costs and advances the quality and convenience of care. Our lead product candidate, Furoscix, consists of our patented subcutaneous formulation of furosemide delivered via our sc2Wear Infusor and is under development for treatment of worsening, or decompensated, heart failure outside of the inpatient setting. We filed a new drug application, or NDA, for Furoscix, with the U.S. Food and Drug Administration, or FDA, in August 2017.

Heart failure treatment costs represent \$123 billion, or 33%, of annual Medicare Part A and B spending, and decompensated heart failure is one of the most common causes of hospital admissions and readmissions in patients age 65 and over, according to data from the Centers for Medicare and Medicaid Services. Each year, there are approximately three million heart failure hospitalization events in the United States, leading to an estimated 15 million patient days in the hospital.

Management of fluid retention, or edema, to avoid decompensation is the primary concern for heart failure specialists and patients. When these efforts fail and patients begin to retain excess fluid, they are admitted to the hospital for more intensive diuresis, via IV administration of a loop diuretic. Furosemide represents over 90% of the IV loop diuretics utilized. Once a patient is stabilized, hospitals must decide between keeping the patient hospitalized for further diuresis, which results in high costs to the hospital, or discharging the patient so they may resume their normal lives and continue diuresis at home. In many instances, patients are discharged before diuresis is complete and must be readmitted to the hospital when their oral diuretic is not effective at home. Between 25% to 30% of Medicare patients are readmitted to the hospital for heart failure within 30 days of discharge, resulting in increased healthcare costs and potential penalties for the hospital.

We believe Furoscix, if approved by the FDA, would allow heart failure patients to receive IV-strength diuresis with earlier discharge from, or potentially without admission to, the high-cost hospital setting. Reduced readmission rates, earlier patient discharge, and prevention of hospital admissions would result in reducing the estimated 15 million days patients with heart failure spend in the hospital each year. By decreasing the number of days in the hospital, we believe we can drive significant cost savings to payers and hospitals, with Medicare saving up to \$1.5 billion annually for every 10% of heart failure patients transitioned out of the inpatient setting according to our estimates and analyses of Medicare data.

Furoscix is designed to be applied to a patient's abdomen for subcutaneous administration by patients and caregivers outside of the hospital setting. We license the piston pump technology for our sc2Wear Infusor from Sensile. Our license agreement with Sensile grants us the exclusive worldwide right to develop, commercialize and sell our sc2Wear Infusor in a defined field, which includes formulations of certain generic cardiovascular and infectious disease therapies (including antibiotics) for subcutaneous administration. Under our license agreement with Sensile, we control the manufacturing and packaging of the components, which we have outsourced to third-party manufacturers. Our sc2Wear Infusor is protected by Sensile's patent portfolio.

We are also leveraging our subcutaneous formulation expertise and delivery technology to develop a suite of additional product candidates that we believe can significantly decrease the cost of treatment by moving treatment away from the hospital setting and can improve patient quality of life by eliminating the need for IV catheters. We have conducted additional development work utilizing our sc2Wear Infusor to deliver ceftriaxone, a parenteral cephalosporin that is not available in an oral formulation. Each year there are 15 million outpatient days in the United States of ceftriaxone therapy to treat various types of infections, including pneumonia, urinary tract infections, and Lyme Disease. Subcutaneous administration of ceftriaxone represents an opportunity to reduce costs to the overall health care system and improve the quality of care by reducing the complications and serious health risks associated with IV catheters and increasing patient mobility and convenience. We have conducted a

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pharmacokinetic study with subcutaneous ceftriaxone and intend to conduct additional clinical trials to advance its development, including a planned study in 2018 to evaluate skin safety after subcutaneous administration. We expect to submit an NDA for subcutaneous ceftriaxone in 2019.

Beyond furosemide and ceftriaxone, we aim to leverage our subcutaneous formulation expertise and delivery technology to develop and seek approval of additional drug candidates. We intend to conduct feasibility work on additional antibiotics and evaluate other product candidates.

### **OUR STRATEGY**

Our goal is to improve the delivery paradigm for important, lifesaving medicines. We strive to reduce costs and improve patient quality of life by allowing for administration of therapies in lower cost settings with increased convenience and comfort for patients. Key elements of our strategy to achieve this goal are to:

- *Obtain FDA approval for our lead product candidate, Furoscix.* If the FDA accepts our NDA filing and initiates a substantive review, we expect a standard product review of ten months from the receipt date and potential FDA approval in the first half of 2018.
- *Commercialize Furoscix in the United States.* We believe that we can effectively commercialize Furoscix, if approved, in the United States with a specialty sales force of approximately 40 representatives initially. We intend to target the highest volume hospitals and clinics, initially concentrating on those institutions that collectively account for 40% of all IV furosemide administered to heart failure patients. If we establish Medicare Part D coverage and achieve successful uptake in our initial target market, we intend to expand our commercial sales force.
- *Leverage our proprietary and licensed technology and the Furoscix sales force to develop and commercialize additional branded product candidates for treatment of cardiovascular and infectious diseases.* We plan to identify, develop and commercialize product candidates that we believe allow us to demonstrate value to patients and the healthcare system and that have large market potential. We intend to identify opportunities where existing pharmaceutical products currently require IV delivery in expensive care settings and where utilizing our proprietary technology could significantly reduce costs and improve quality of care for patients. We plan to leverage our sales force and Medicare-focused account teams that we are building to commercialize Furoscix, if approved, and for the launch of additional branded products.
- *Establish commercial collaborations outside the United States for our product candidates, if approved.* We plan to establish collaborations to commercialize our products, if approved by the relevant regulatory authorities, outside of the United States. We may also engage third-party intermediaries to sell and distribute our branded products, if approved, to hospitals and healthcare providers in foreign markets and thereby expand our global footprint and customer landscape.

### **FUROSCIX TO TREAT DECOMPENSATED HEART FAILURE**

#### **Market Size and Opportunity**

Heart failure affects approximately 6.5 million adults in the United States, and the American Heart Association projects that heart failure will affect more than eight million adults by 2030, representing one in every 33 Americans. Medical costs associated with treatment of heart failure consume 33%, or \$123 billion, of the total annual Medicare Part A and B spending.

Heart failure is a chronic disease resulting from impairment of the heart's ability to pump blood and can be caused by a number of factors, including congenital conditions, history of heart attack, arrhythmias and complications of other chronic conditions such as diabetes and hypertension. Patients with heart failure are prone to retain water and salt, or fluid, in their blood stream and other tissues. Initially, a modest increase in water and salt retention and increased blood volume helps improve the pumping efficiency of the failing heart. However, as fluid accumulates beyond a useful level, heart pumping efficiency begins to diminish, and edema occurs. When fluid accumulates in the lungs, this causes breathing difficulty and compromises oxygen delivery to the patient's tissues. This state of acute worsening of heart failure symptoms due to excessive fluid retention is referred to as decompensated heart failure.

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Management of fluid retention to avoid decompensation is a primary concern of heart failure specialists and patients. Today, there are only two treatment options to manage excess fluid levels: oral loop diuretics, and IV diuresis delivered in an inpatient setting over several days.

Heart failure patients are commonly prescribed an oral loop diuretic to promote ongoing discharge of excess fluid through urination, or diuresis. Loop diuretics, which promote increased excretion of salt and water by the kidney into the urine and reduce the fluid volume load on the heart, are the mainstay of treatment and prevention of edema in patients with heart failure. Oral furosemide, a loop diuretic, is the market leader for the day-to-day management of edema in patients with heart failure, accounting for approximately 85% of the oral diuretics prescribed annually in the United States.

Even when following a regular oral loop diuretic regimen, patients with heart failure regularly experience episodes of decompensated heart failure. These episodes can be triggered by various physiological factors, some as simple as salty meals or a patient skipping doses of oral furosemide to avoid excessive urination at inconvenient times. Patients and physicians aim to prevent these episodes by monitoring for early signs of edema, such as swelling ankles, weight gain, breathing difficulty or decreased urination. At the onset of a decompensated heart failure event, physicians commonly increase the dose of the patient's oral diuretic or add another oral diuretic in an effort to eliminate excess fluid levels. Because of the reduced bioavailability of oral doses due to edema in the gastrointestinal tract and consequent decreased absorption of the drug into the blood stream, oral loop diuretics are often insufficient to treat decompensated heart failure. This progressive accumulation of fluid overwhelms the failing heart, and the patient is eventually admitted to the hospital for treatment of the decompensated heart failure with IV diuresis.

There are approximately 3 million heart failure hospitalizations annually in the United States resulting in an estimated 15 million days of hospitalization. More than 90% of these patients require diuresis through use of an IV loop diuretic during their inpatient stay. Furosemide represents 91% of the IV loop diuretics that are utilized. Additionally, there are approximately 900,000 clinician office visits annually for diuretic treatment of edema that do not result in a hospital admission.

### **Managing Decompensation**

Decompensation is the primary cause for patient admission to the acute care setting among adult patients with heart failure. Patients suffering from an acute-decompensation event can develop worsening symptoms rapidly and a multiday hospital admission for a more aggressive diuretic treatment with IV furosemide is almost always required to manage the decompensation. IV furosemide is universally recommended in international guidelines, including the American College of Cardiology/American Heart Association's Guideline for the Management of Heart Failure, for the treatment of edema in patients with decompensated heart failure.

### **Cost of Hospital Admission**

Medical costs associated with treatment of heart failure consume 33%, or \$123 billion, of the total annual Medicare Part A and B spending. Milliman, an independent consulting firm, conducted an analysis that we commissioned to quantify the cost of treatment to Medicare for decompensated heart failure events. The study showed that 79.4% of heart failure events were treated in an inpatient setting, at an average allowed Medicare cost of \$11,840 per admission and incurred an additional \$9,140 on average in the 30-day period after discharge; 11.3% of heart failure events were treated in an emergency department (without admission), at an average cost of \$1,208 per visit; 6.1% of heart failure events were treated in an observation unit (without admission), at an average cost of \$3,189 per stay; and 3.2% of heart failure events were treated in a physician office or clinic, at an average cost of \$467 per visit.

In addition, patient admissions for treatment result in high costs to the hospital. Patients who are admitted to the hospital for heart failure remain in the hospital setting for an average of 5.2 days per episode, exceeding the 3.9 day stay that is reimbursed under Medicare's Diagnosis Related Group, or DRG, payment guidelines. Hospitals lose an average of \$2,600 for the 1.3 days of inpatient heart failure admission not covered by DRG payment guidelines.

Hospitalization also exposes patients to risks of infection and additional complications intrinsic to the hospital setting. Approximately 722,000 healthcare-associated infections occur in the United States annually, with 75,000 patients dying from healthcare-associated infections during their hospitalizations. The economic impact of patient healthcare-associated infections has been estimated to range from \$35.7 billion to \$45 billion per year.

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Transitioning treatment outside of the hospital setting could reduce morbidity, mortality and costs associated with healthcare-associated infections.

Additionally, patients treated with IV furosemide in the hospital setting are largely confined to their rooms with limited movement and predominantly remain in the hospital bed during admission. Restricting patients to sedentary activities for extended inpatient treatment of acute decompensated heart failure severely restricts activities of daily living and significantly reduces patient quality of life.

### **Cost of Hospital Readmission**

Effective treatment of acute decompensation events can currently be administered only by IV-strength diuresis in the hospital or acute care settings. Thus, the majority of patients who today require IV-strength diuresis can only receive the care they need in the hospital.

Patients hospitalized for decompensated heart failure are often discharged from the hospital before diuresis is complete and transitioned to oral loop diuretics, such as oral furosemide, to continue diuresis. However, persistent edema in the gut can reduce absorption of oral furosemide into the bloodstream, which means that oral furosemide is often insufficient to fully resolve the edema. Between 25% and 30% of Medicare patients admitted to the hospital for heart failure are readmitted for a decompensation event within 30 days of discharge resulting in additional payments from Medicare.

In an attempt to reduce the costs associated with this cycle of decompensated heart failure events, the Center for Medicare and Medicaid Services has included heart failure as one of the six conditions subject to readmission penalties. Today, hospitals face penalties of up to 3% of future Medicare reimbursement payments if readmission rates are deemed excessive. An estimated 79% of hospitals received readmission penalties in the first half of fiscal year 2017 for heart failure and other qualifying conditions, representing a projected \$528 million of penalties, compared to \$420 million in 2016.

Quality initiatives aimed at improving the care of heart failure patients have been introduced by the Center for Medicare and Medicaid Services. For example, under the Quality Payment Program, Medicare has introduced new payment models for heart failure treatment. Both the Merit Based Incentive Payment System and Alternative Payment Models are aimed at controlling healthcare costs by providing hospitals and clinics lump-sum or bundled payments for heart failure treatments over a specified time period.

We believe that these Medicare initiatives demonstrate a significant unmet need for heart failure treatments that could deliver the economic benefit of treatment in the outpatient setting and shift the management of heart failure away from expensive and inconvenient hospital facilities. More specifically, we believe shifting diuresis treatment from inpatient to outpatient settings of care can be accomplished and has the potential to decrease current readmission rates, reduce the length of hospital admissions, and prevent admission for patients in earlier stages of decompensation.

### **Our Solution—Furoscix**

We developed Furoscix to address the unmet need for subcutaneous administration of IV-strength diuresis outside of the hospital. Our novel formulation of furosemide was designed with a physiologic pH level to avoid the burning and discomfort associated with subcutaneous delivery of the current alkaline IV furosemide formulation.

Furoscix consists of this patented formulation of furosemide for subcutaneous administration with our wearable, portable sc2Wear Infusor for the treatment of edema in patients with heart failure. Furoscix is delivered subcutaneously through a small, 27-gauge needle, which has been observed in our clinical studies to date to provide comparable diuresis to IV furosemide with good tolerability.

We believe that, if approved, Furoscix has the potential to provide a safe, effective and more convenient solution that will enable IV-strength diuresis outside of the high-cost hospital setting, thereby reducing the number of days a heart failure patient remains in the hospital. We believe we can reduce the estimated 15 million days per year that heart failure patients spend in the hospital by decreasing current readmission rates, reducing the average length of stay, and reducing admission rates for patients with mild edema. According to our estimates and analyses of Medicare data, for every 10% of heart failure patients that are managed outside of the inpatient setting, Medicare could save up to \$1.5 billion annually.

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Subcutaneous delivery has the potential to reduce healthcare costs in the following ways:

- *Reduce patient readmission:* We believe Furoscix, if approved, could reduce the incidence of readmission for heart failure patients by providing IV-strength diuresis in the home environment upon discharge. Hospitals frequently discharge heart failure patients before diuresis is complete and transition them back to oral furosemide. Persistent edema reduces absorption of the oral furosemide, rendering it ineffective. As a result, patients are often readmitted to the hospital to again receive IV furosemide to complete diuresis. We believe Furoscix can break this cycle by providing IV-strength diuresis to patients upon discharge and reducing the high rate of patient readmissions for decompensated heart failure events.
- *Reduce patient length of stay:* We believe Furoscix, if approved, could reduce the average in-hospital length of stay for heart failure patients, thereby reducing the hospitals' economic loss attributable to extended patient admission. Our market research suggests that 46% of physicians believe they can reduce the length of stay for heart failure patients by one to two days if IV-strength diuresis could be achieved outside of the hospital setting following discharge. Transitioning from inpatient IV therapy to outpatient Furoscix would allow these patients to be discharged for continued IV-strength diuresis outside the hospital setting, potentially expediting hospital discharge and reducing the associated costs to the hospital. Currently, a hospital will lose an average of approximately \$2,600 per Medicare heart failure admission, which represents the difference between the costs associated with the average 5.2 days of admission (utilizing an average \$2,000 daily cost of a hospital stay according to The Henry J. Kaiser Family Foundation) and the costs covered by Medicare for the 3.9 patient admission days covered as a DRG payment. If administration of Furoscix outside the hospital could reduce the length of stay by 1.3 days, it would eliminate this difference.
- *Reduce hospital admission rates:* We believe Furoscix, if approved, could in certain instances avoid a hospitalization altogether, by providing IV-strength diuresis in an outpatient setting such as the physician office, heart failure clinic or at home. Patients would have the opportunity to receive Furoscix from healthcare providers in physician offices, outpatient clinics, and at home, without necessitating hospital admission. Each patient admission to the hospital averages \$11,840 in payments to the hospital, 90% of which are paid by Medicare and 10% of which are paid by the patient. As a result, patients with chronic heart failure would have access to Furoscix at the onset of decompensation when their oral dosage begins to fail and could obtain treatment without presenting to the hospital.

Further, through subcutaneous delivery of IV-strength furosemide, we believe we can improve patients' quality of life by providing treatment with minimal interruption of daily living. Rather than restricting the patient to a stationary environment for an IV therapy, the wearable design of our Furoscix product candidate could potentially promote patient mobility by delivering furosemide for up to five hours while the patient resumes normal daily activities outside of the hospital. Evidence also supports that in-home care for patients with heart failure may prolong life expectancy and improve quality of life by facilitating access to the patient's care support system. Based on our market research, we believe that patients and physicians would embrace Furoscix, if approved, if it improved patient outcomes and quality of life.

## **Clinical Development of Furoscix**

### ***Our Subcutaneous Formulation of Furosemide***

In total, the Furoscix clinical development program consisted of 400 subjects across all clinical and human factor studies. To date, 127 patients have been administered our subcutaneous formulation of furosemide in our clinical studies. Based on the overall observations and outcomes of these studies, we believe that Furoscix has the potential to be used to treat edema with a similar profile to IV furosemide and it has been administered by patients, care givers and healthcare practitioners in clinical and home environments.

We have completed numerous studies during the development of Furoscix, including two pivotal clinical studies, four exploratory clinical studies, eight studies to shape its design, referred to as formative human factor studies, and four studies to measure or validate its usability, referred to as summative human factor studies. In clinical studies, 101 subjects received our subcutaneous formulation of furosemide via the sc2Wear Infusor, and 26 subjects received our subcutaneous formulation of furosemide delivered via the B. Braun Perfusor Space Infusion Pump, or B. Braun Pump,

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a large, three-pound commercial pump used in operating rooms and emergency care settings. In the summative human factor studies, 41 heart failure patients, 39 caregivers and 52 healthcare practitioners were evaluated to determine their ability to prepare, administer, activate and complete infusions with the sc2Wear Infusor.

We held a pre-NDA meeting with the FDA on June 1, 2017 and we submitted an NDA for our lead product candidate, Furoscix, in August 2017.

**Pharmacokinetic/Pharmacodynamic (PK/PD) Study**

We conducted a pivotal, randomized, open-label crossover study from April to September 2015 to assess the relative bioavailability of our novel formulation of furosemide and IV furosemide in 17 patients with heart failure who were experiencing decompensation. In this study, our subcutaneous formulation of furosemide was delivered via the B. Braun Pump. This study also evaluated diuresis and the excretion of sodium over eight hours and 24 hours post-dosing as the pharmacodynamic endpoints.

*Treatment arms*

In this study, our reference treatment was IV furosemide with two bolus injections of 40 mg dosed over two minutes, two hours apart. Our test treatment was subcutaneous administration of our novel furosemide formulation with 80 mg infused subcutaneously, with 30 mg over the first hour followed by 12.5 mg per hour over the subsequent four hours.

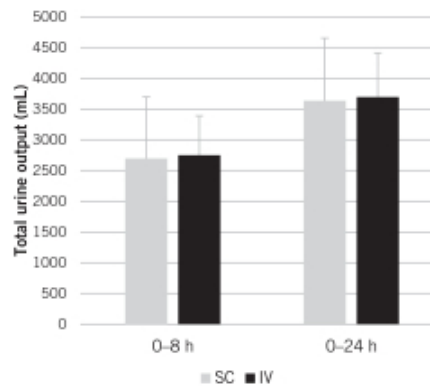
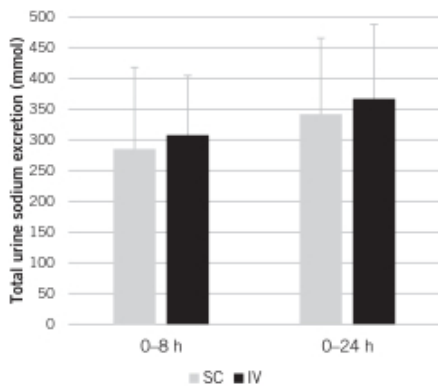
*Comparative pharmacokinetic results*

This study demonstrated bioequivalence in the concentration of drug delivered over time based upon the area under the curve, or AUC, between our subcutaneous formulation of furosemide and IV furosemide. The bioavailability of subcutaneous infusion relative to intravenous injection was 99.6%, with a 90% confidence interval of 94.8% to 104.8% thus meeting the FDA's defined bioequivalence criteria limit of 80% to 125%. The following table presents the comparative pharmacokinetics demonstrated in this study between our subcutaneous formulation of furosemide compared to IV furosemide:

ROUTE: DOSE	C <sub>max</sub> (ng/mL)	AUC <sub>t</sub> (ng×hr/mL)	t <sub>1/2</sub> (hr)	AUC <sub>∞</sub> (ng×hr)
Subcutaneous: 30 mg infused over the first hour followed by 12.5 mg per hour for the subsequent 4 hours (total dose: 80 mg)	2040±449	13000±4000	3.16±0.911	13100±4010
Intravenous: 40 mg bolus x 2 doses separated by 120 minutes (total dose: 80 mg)	8580±2540	13000±4050	2.55±0.339	13200±4170

*Comparative pharmacodynamic results*

The total urine sodium excretion and urine output were comparable between our subcutaneous formulation of furosemide and IV furosemide. The following graphs reflect the comparative mean total urine sodium excretion and urine output:



### **Phase 3 Product Design Clinical Validation (PDCV) Study**

In October 2016, we conducted a Phase 3, open-label, single-arm, single-dose study as a clinical validation of the use of Furoscix in 74 adult heart failure patients at five clinical sites in the United States. Six of these patients were ultimately excluded from the study due to activator interruptions, and one patient was excluded due to truncated infusion, resulting in a modified intention to treat, or MITT, population of 67 patients that completed the five-hour infusion period.

In this study, our novel formulation of furosemide was subcutaneously administered using our sc2Wear Infusor with a preset dosage of 30 mg furosemide over the first hour, then 12.5 mg per hour for the subsequent four hours.

#### **Primary Endpoints**

The primary objective of this study was to evaluate the on-body performance of Furoscix, defined as the absence of major product and major system related failures leading to inadequate delivery of drug product (performance criteria of <sup>3</sup> 95% passage rate with 95% confidence) in the MITT population.

In the MITT population, 63 of 67 (94%) Furoscix infusions were free from major system-related failure, with a 95% confidence interval of 85% to 98%. As such, this study did not meet the FDA's prespecified performance criteria. All patients in the MITT population, however, achieved furosemide concentrations above the pre-defined target therapeutic threshold. In the four cases in which Furoscix administered dose fell below the predefined criteria of 80 mg (10 mL)  $\pm$  10%, only one was determined to be due to a dispensing failure, which resulted in the delivery of 67 mg of furosemide instead of the 72 mg minimum dose specification. The three other dispensing failures were determined to be caused by an undetected, incomplete filling of the sc2Wear Infusor, likely due to user errors, as the three incomplete fillings observed in these devices were not able to be reproduced during bench testing. When the sc2Wear Infusor was filled adequately, 63 of 64 (98%) Furoscix infusions were within the prespecified performance criteria, with a 95% confidence interval of 92% to 100%.

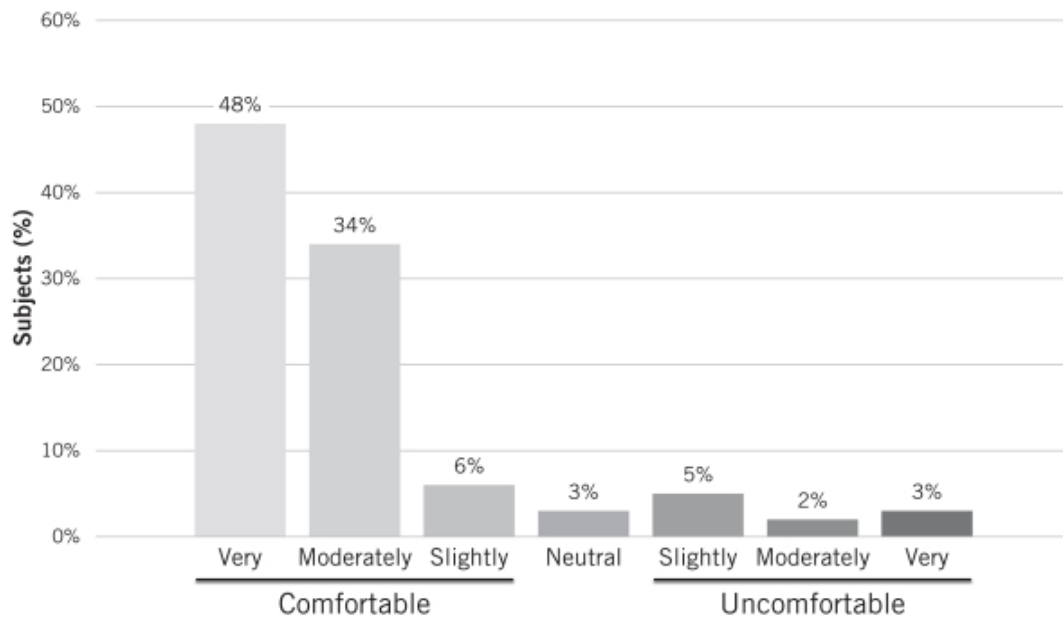
We discussed these data with the FDA at a pre-NDA meeting, held on June 1, 2017, and presented the results of a completed human factors study in which the frequency of undetected fill errors was 0%, as a result of our improvements to the quick reference guide and instructions for use. As part of our NDA submission, the FDA requested that a high-level safety assurance case be submitted just prior to the NDA submission and that certain updated risk analyses be submitted concurrently with our NDA. We have submitted the safety assurance case to the FDA. Although the PDCV study did not meet the prespecified endpoint, during the meeting, the FDA requested that our NDA include an assessment of the data generated from all of our studies, and stated that our NDA appeared capable of supporting a review.



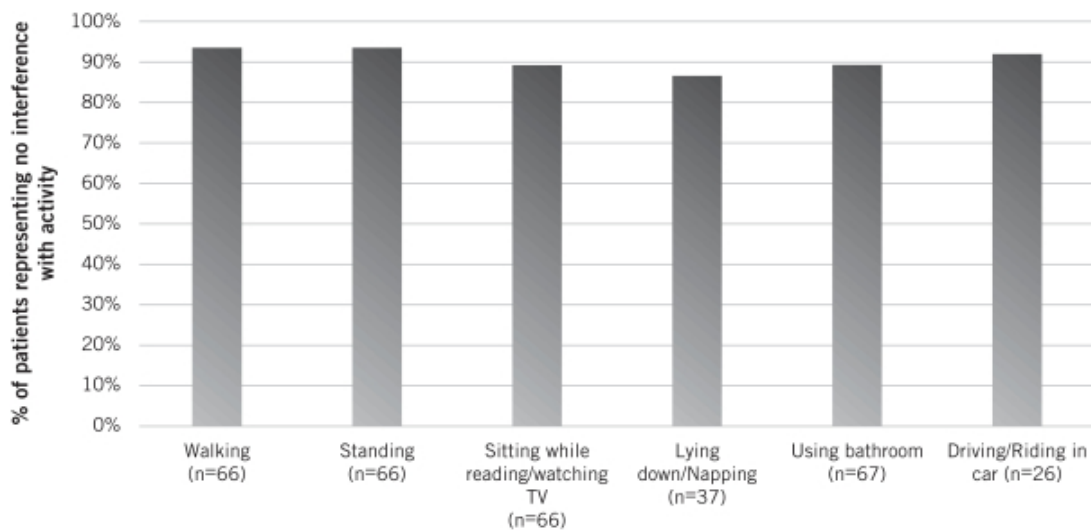
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*Secondary Analysis*

The study also included secondary tolerability endpoints, including a comfort of wear questionnaire that was completed one hour after completion of Furoscix infusion. The graph below reflects the overall comfort reported by the patients in the MITT population:



In addition, administration of Furoscix was found to have only minimal impact on participants' daily living activities, which included walking, standing, sitting, lying down/napping, using the bathroom, or driving/riding in a car. Between 86% and 94% of participants who answered the questionnaire reported that Furoscix did not interfere with the activities reflected in the graph below:



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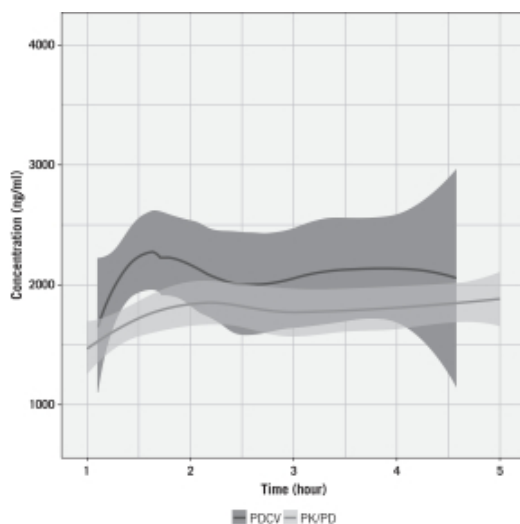
### *Safety Analysis*

We observed no needle insertion failures, dislodgements or leaks. The most frequently observed adverse events were local skin effects, such as reddening, or erythema, bruising and pain, which were mild or moderate in severity. No patients reported infections at the infusion site. Severe adverse events occurred in 2.7% of patients, but were determined not to be related to Furoscix and each event resolved spontaneously.

### **Post-Hoc Comparative Analysis to Bridge the Pharmacokinetics from the PK/PD Study and Plasma Concentrations from the PDCV Study**

The B. Braun Pump was used for subcutaneous administration of our subcutaneous formulation of furosemide in the PK/PD study and our sc2Wear Infusor was used to administer our subcutaneous formulation of furosemide in the PDCV study. Based on a pharmacokinetic bridging analysis conducted between the PK/PD and PDCV studies, comparable furosemide systemic exposures and subsequently comparable diuresis would be expected to be achieved when our subcutaneous furosemide formulation is administered via the sc2Wear Infusor compared to the B. Braun Pump.

The same 80 mg dose and dosing regimen of 30 mg dosed over the first hour followed by 12.5 mg/hour for the subsequent four hours, was used in both studies. Mean furosemide concentrations and the representative 95% confidence intervals obtained during the five-hour infusion from the two studies are represented in the figure below:



Overall, between the first and fifth hours, the plasma furosemide concentrations were higher and more variable in the PDCV study compared to the PK/PD study, partly due to the unmatched timepoints. However, between the second and fifth hours the furosemide concentrations were similar between the two studies. The higher concentrations observed in the PDCV study were lower than the  $C_{max}$  observed in the IV doses in the PK/PD study, further supporting the safety of Furoscix.

### **Human Factors Summary**

Based on results from eight formative and four summative human factors studies that we conducted from Fall 2015 to Spring 2017 to evaluate ability to independently fill the sc2Wear Infusor pump, apply the pump to the delivery site, commence infusion and confirm the completion of infusion, we believe heart failure patients, caregivers and healthcare practitioners will be able to operate Furoscix, if approved, in a home environment, clinical setting or medical facility.

A total of 83 and 132 representative users participated in formative and summative usability testing, respectively. Results from each study led to refinements to the device, packaging, instructions for use, quick reference guide and training video components to improve instructional formatting, illustrations, and descriptions.

### **Investigator Sponsored Study**

In February 2016, an open label, randomized study of 40 patients was initiated to evaluate urine output and adverse events of our subcutaneous formulation of furosemide administered subcutaneously via B. Braun Pump compared to IV furosemide in patients with decompensated heart failure presenting to the John's Hopkins Heart Failure Bridge Clinic. From the results of this study, the investigator concluded that treatment with our subcutaneous formulation of furosemide resulted in equivalent diuresis and weight loss and was well tolerated compared to IV furosemide in patients with decompensated heart failure presenting to an outpatient heart failure clinic.

### **Ongoing Studies**

A two phase, multicenter study sponsored by the Duke Clinical Research Institute and funded by the National Heart, Lung and Blood Institute is currently ongoing. A pilot study to determine whether subcutaneous delivery of furosemide is safe and feasible in patients with acute heart failure in the hospital and outpatient setting is active and recruiting patients. A randomized evaluation of 300 patients to determine the impact of early discharge with continued diuresis with home administration of Furoscix compared to IV furosemide on clinical outcome and hospital length of stay in patients admitted to the hospital with worsening heart failure will commence after the completion of the pilot study. We anticipate that results from this study will be available in the first half of 2019.

We also intend to support additional investigator sponsored studies and initiate Phase 4 studies with Furoscix to evaluate the efficacy, safety, patient acceptance and healthcare resource utilization of diuresis outside the hospital.

### **Commercialization**

If we successfully obtain regulatory approval, we plan to commercialize Furoscix in the United States by building and utilizing our own commercial infrastructure. We currently intend to focus our commercial efforts initially on the United States market, which we believe represents the largest market opportunity for Furoscix. In addition, we plan to establish collaborations with third-party intermediaries outside of the United States to distribute our products in foreign markets, if approved by the relevant foreign regulatory authorities.

We believe that we can effectively commercialize Furoscix, if approved, in the United States with a specialty sales force of approximately 40 representatives initially. We intend to initially pursue a highly-concentrated target market, which consists of 350 hospitals and clinics that, collectively, currently account for 40% of all IV furosemide administered to heart failure patients. We also plan to target the top ten Medicare Part D plans which cover over 80% of Medicare Part D patients.

We intend to build a highly focused commercial infrastructure focused on distribution, promotion, and customer support to our key hospital targets. Our target physician call points within these hospitals will include heart failure specialists, cardiologists, emergency room doctors and heart failure nurse practitioners. To date, our market research has indicated that 93% of our target physicians intend to prescribe Furoscix, if approved, within the first 180 days of product availability, with 55% adopting Furoscix in the first 90 days of product availability. We expect to supplement our sales force with representatives in the medical science, nursing, and reimbursement fields to support the proper training and utilization of Furoscix. We plan to assess and refocus the development of our commercial infrastructure based on the timing of commercial needs.

As part of our commercialization strategy, we plan to educate hospitals, healthcare practitioners, patients and caregivers of the benefits of Furoscix and its proper use. We plan to work with national associations, such as the American Heart Association, hospital networks, and individual hospitals to update treatment and discharge guidelines to include subcutaneous furosemide in treatment plans. These guidelines are intended to provide information to hospitals and healthcare practitioners regarding treatment of heart failure patients with subcutaneous furosemide.

Advocacy groups, patients and caregivers are active and vocal in the heart failure space. We intend to continue to engage these advocacy groups to provide awareness around worsening heart failure and the ability to treat edema outside of the hospital setting.

We expect to package Furoscix, if approved, as both a starter and refill kit, which may present opportunities under both Medicare Part B and D reimbursement pathways. Hospitals, clinics, and physician offices would be able train

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and initially place Furoscix for the patient and may be reimbursed for these services under Medicare Part B so long as certain criteria are met. For hospitals, these items and services may be considered as part of the transition of care and be billed outside of the DRG payment. As patients transition out of the hospital, clinic, or physician office setting and require additional days of treatment, they would obtain Furoscix refill kits outside of the acute care setting, and coverage and reimbursement may be available under Medicare Part D. By educating patients on the proper use of Furoscix shortly after discharge followed by a face-to-face visit, health care professionals can ensure proper training, initiate treatment at the point of care, and ensure that patients can receive additional days of treatment in the home setting.

### **OUR PLATFORM AND OTHER PIPELINE PROGRAMS**

We have completed clinical trials and submitted an NDA for Furoscix, and believe that our sc2Wear subcutaneous drug delivery system has the potential to be used to administer additional existing drugs, specifically in the cardiovascular and infectious disease areas. If approved, administration of drug product candidates with our sc2Wear Infusor may overcome many of the common issues with IV therapy, such as high costs associated with hospital admission, complications of IV line placement and disruption of daily living activities.

#### **Our Pipeline Programs**

Beyond our initial focus on heart failure, our strategy is to apply our proprietary technology for the development of additional product candidates where effective and convenient subcutaneous therapy may benefit patients, caregivers and payers.

- *scFurosemide*: Our lead product candidate, Furoscix, consists of our proprietary subcutaneous formulation of furosemide delivered via our sc2Wear Infusor for diuresis in heart failure patients outside of the acute care setting. We have completed two pivotal clinical studies, four exploratory clinical studies, and 12 human factor studies for Furoscix. We filed an NDA for Furoscix with the FDA in August 2017.
- *scCeftriaxone*: We have filed an investigational new drug application, or IND, for scCeftriaxone, an antibiotic currently used intravenously for the treatment of infections caused by gram-positive and gram-negative organisms. To date, we have completed a PK study for scCeftriaxone and plan to conduct an additional key Phase 3 study to support an expected NDA filing in 2019.
- *scCarbapenem*: We have completed several IND-enabling studies for our scCarbapenem program, an antibiotic currently used intravenously for the treatment of infections caused by gram-negative organisms.

#### **Ceftriaxone**

Many patients with an infection requiring IV antibiotics are admitted to the hospital, and a portion of these patients will require subsequent outpatient treatment with IV administration requiring insertion of a PICC line catheter. Ceftriaxone is a parenteral antibiotic commonly used to treat various types of infections, including pneumonia, bone and joint infections, blood stream infections, urinary tract infections and Lyme Disease. Ceftriaxone is the second most utilized antibiotic in the hospital setting and second most utilized IV antibiotic at hospital discharge. Each year, there are approximately 15 million outpatient days of ceftriaxone therapy in the United States, with 50% of outpatient ceftriaxone administered to Medicare patients who do not have coverage for home infusion services and frequently must drive to a hospital clinic, emergency room or physician office or be admitted to a skilled nursing facility or hospital to receive IV antibiotics. Subcutaneous antibiotics, including ceftriaxone, have the potential to reduce the length of hospital stay by facilitating transition of care and eliminate the risks of complications from long term IV catheters. They also would provide a level of convenience and independence to patients and caregivers with a reduction in the economic burden to payers, particularly in Medicare, by reducing payments for outpatient infusion services.

After the submission of the IND we conducted a randomized, partially blinded crossover study to evaluate the PK and bioavailability of a commercial formulation of ceftriaxone administered subcutaneously as compared to IV administration. In this study, we observed that the bioavailability of subcutaneous ceftriaxone was 108% of that of IV ceftriaxone. In a PD model based on subcutaneous pharmacokinetics observed in this study, the T>MIC for the first 24 hours for the ceftriaxone 1-gram subcutaneous infusion was observed to be not inferior to the 1-gram IV infusion (98.5% vs 100%). The most common adverse event observed with subcutaneous ceftriaxone administration was pain with a median pain score of two on a scale of zero to ten (with zero being no pain and ten being the worst possible pain).

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We intend to conduct additional studies to evaluate optimal delivery for ceftriaxone and to evaluate the skin safety of ceftriaxone administered subcutaneously with our proprietary sc2Wear Infusor. If results from our clinical program for subcutaneous ceftriaxone are positive, we expect to be in a position to submit an NDA for this drug-device combination product candidate in 2019.

### **Additional Product Programs**

We are leveraging our proprietary technology and know-how for use in other clinical settings where subcutaneous delivery can improve IV treatments to develop a suite of product candidates for treatment of cardiovascular and infectious diseases that, like Furoscix and Ceftriaxone, we believe can decrease the cost of treatment by moving treatment out of the hospital setting and eliminating the need for IV catheters. We expect to pursue the development of a subcutaneous carbapenem to treat infections caused by gram-negative infections and have completed initial feasibility work on a potential candidate. We also intend to identify other opportunities in the cardiovascular and infectious disease areas where subcutaneous delivery can improve patient treatment and reduce healthcare costs. We intend to evaluate market criteria to systematically choose potential product programs for our pipeline. We plan to look for product candidates that we believe allow us to clearly demonstrate value to patients and the healthcare system and that have large market potential and a concentrated specialty physician prescribing base. We expect to leverage our Furoscix sales force to promote additional products that we develop and commercialize.

### **Our Expertise in Subcutaneous Drug Development**

We developed Furoscix to have a physiologic pH that allows for subcutaneous administration with reduced discomfort to the patient. We believe we are the only pharmaceutical company to utilize a buffering agent to reformulate furosemide at a lower pH that has been well tolerated when administered subcutaneously in clinical trials. We believe an opportunity exists to leverage our drug formulation expertise in converting other IV-based therapies within our licensed therapeutic areas to formulations suitable for subcutaneous delivery.

In addition, through our development and NDA submission of Furoscix we have gained significant experience in subcutaneous infusion device development and regulatory strategy for 505(b)(2) and combination products. Our delivery technology along with our device development expertise will allow us to efficiently modify our current device design to deliver future drug product candidates. Future product candidates will be focused on the conversion of existing IV products and will follow the 505(b)(2) regulatory pathway. The 505(b)(2) regulatory pathway along with our expertise in combination product development will provide efficiency in the development and subsequent approval of our future product candidates.

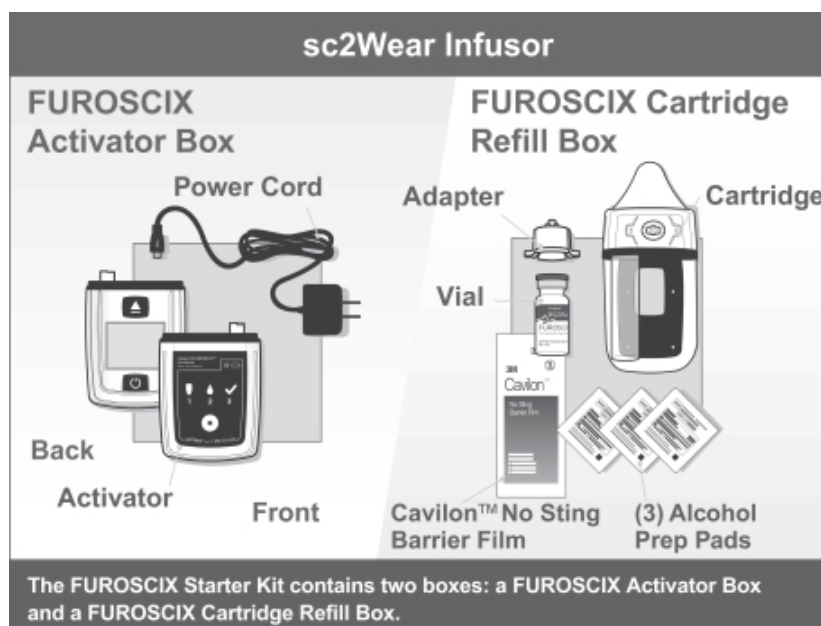
### **Our sc2Wear Infusor**

Our sc2Wear Infusor is based on the SenseCore single-use, rotary micro-piston pump, which we license from Sensile. The sc2Wear Infusor is a two-component system, consisting of a reusable activator and a disposable cartridge. The disposable, single-use cartridge contains all patient-contacting and drug-contacting components, including the micro-piston pump, an automatic needle insertion and retraction mechanism, a fluid reservoir barrel and a base plate and an adhesive backing that holds the system onto the patient's skin for subcutaneous administration of medications. The reusable activator includes visual and audible indicators for ease of use and administration.

The sc2Wear Infusor is applied to the patient's abdomen. When the device is activated, the pump propels the medication through a fluid path and delivers the drug formulation through a thin, 27-gauge needle into the patient's subcutaneous tissue. Our subcutaneous delivery system can be worn while patients perform typical daily life activities during that time, which we believe allows patients to receive treatment with minimal interference with their daily routine.

Each rotation of the piston pump corresponds to a 10  $\mu$ L administration of drug formulation. The activator can be programmed to allow for delivery of a precise dosage of a drug to obtain a given pharmacokinetic profile. The dosage is pre-programmed and cannot be altered by the user or healthcare provider.

The figures below illustrate the primary components of the sc2Wear Infusor.



#### **MANUFACTURE OF OUR PRODUCT CANDIDATES**

We use a network of qualified suppliers or contract manufacturing organizations, or CMOs, to produce, manufacture, sterilize and assemble the component parts of our product candidates, including Furoscix. Our suppliers produce these component parts to our designs and specifications. Certain processes utilized in the manufacture and test of our product candidates have been verified and validated as required by the FDA and other regulatory bodies. The manufacturing facilities of our suppliers are subject to periodic inspection by the FDA and certain corresponding state agencies, and we regularly audit our suppliers' processes to ensure conformity with the specifications, policies and procedures for our product candidates.

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We currently produce Furoscix for use in our clinical trials and stability studies only. We believe that our current third-party manufacturers have capacity for potential commercialization of Furoscix, if approved, in quantities sufficient to meet our expected commercial needs, and to accommodate the manufacturing of materials for future clinical trials of other potential product programs that we may identify for our product pipeline.

In preparation of the potential commercial launch of Furoscix, if approved, we plan to automate the manufacture and assembly of both the single-use and multi-use component parts of our sc2Wear Infusor by our existing third-party suppliers. We expect that this automation will further increase our capacity to manufacture commercial-size batches of Furoscix sufficient to meet projected peak global demand.

## **INTELLECTUAL PROPERTY**

### **Proprietary protection**

Our commercial success depends in part on our ability to obtain and maintain proprietary protection for our drug candidates, manufacturing and process discoveries and other know-how, to operate without infringing the proprietary rights of others, and to prevent others from infringing on our proprietary rights. We and our partners have been building and continue to build our intellectual property portfolio relating to our product candidates and technology. Our policy is to seek to protect our proprietary position by, among other methods, filing U.S. and certain foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We also intend to rely on trade secrets, know-how, continuing technological innovation, and potential in-licensing opportunities to develop and maintain our proprietary position. We cannot be sure that patents will be granted with respect to any of our pending patent applications or with respect to any patent applications filed by us in the future, nor can we be sure that any of our existing patents or any patents that may be granted to us or our partners in the future will be commercially useful in protecting our technology.

### **Patent rights**

Patent life determination depends on the date of filing of the application and other factors as promulgated under the patent laws. In most countries, including the United States, the patent term is generally 20 years from the earliest claimed filing date of a non-provisional patent application in the applicable country.

#### ***scFurosemide formulation***

As of July 31, 2017, we own a formulation patent family specific to our subcutaneous formulation of furosemide. This patent family includes one pending U.S. patent application and 13 pending patent applications in regions or countries outside of the United States. Patents that issue from this patent family are generally expected to expire in 2034, excluding any additional term for patent term adjustment.

#### ***Tri- and bi-phasic dosing regimens for time-dependent antibiotics***

As of July 31, 2017, we own a patent family directed to methods of treating infections and other diseases using a tri-phasic or a bi-phasic dosing regimen of a time-dependent antibiotic, which methods can include subcutaneous delivery via a micropump or patch pump device. This patent family includes one pending U.S. patent application and two pending patent applications in regions or countries outside of the United States. Patents that issue from this patent family are generally expected to expire in 2035, excluding any additional term for patent term adjustment.

### **Trade secret and other protection**

In addition to patented intellectual property, we also rely on trade secrets and proprietary know-how to protect our technology and maintain our competitive position, especially when we do not believe that patent protection is appropriate or can be obtained. Our policy is to require each of our employees, consultants and advisors to execute a confidentiality and inventions assignment agreement before beginning their employment, consulting or advisory relationship with us. The agreements generally provide that the individual must keep confidential and not disclose to other parties any confidential information developed or learned by the individual during the course of the individual's relationship with us except in limited circumstances. These agreements generally also provide that we shall own all inventions conceived by the individual in the course of rendering services to us.



## **Other intellectual property rights**

We file trademark applications and pursue registrations in the United States and abroad when appropriate. We own U.S. Registration No. 4851675 for the mark SCPHARMACEUTICALS for pharmaceutical preparations and substances for the treatment of cardiovascular and cardiopulmonary diseases and disorders. We also own pending trademark applications for scPharmaceuticals, sc2Wear, and Furoscix in the United States and the EU for use in connection with our pharmaceutical research and development as well as products, as well as trade names that could be used with our potential products. The USPTO has allowed the following trademark applications which are awaiting Statements of Use: scPharmaceuticals (Class 5 house-mark; Class 10 medical devices); Furoscix (Class 5 cardiovascular); and sc2Wear (Class 10 medical devices). The EU has Published the following trademark applications: scPharmaceuticals (Class 5 cardiovascular; Class 5 infectious disease; Class 5 pharmaceuticals); Furoscix (Class 5 cardiovascular); and sc2Wear (Class 10 medical devices).

From time to time, we may find it necessary or prudent to obtain licenses from third-party intellectual property holders.

## **Sensile License Agreement**

In June 2015, we entered into a license agreement with Sensile Medical AG and its former affiliates, Sensile Holding AG and Sensile Patent AG, which we refer to collectively as Sensile, through which we have been granted, except as described below, an exclusive worldwide license under certain intellectual property rights owned or controlled by Sensile, to develop, commercialize and sell a drug-device combination product for subcutaneous administration in a defined field, which includes generic loop diuretics, certain generic therapies for cardiovascular indications, and certain generic infectious disease therapies, including antibiotics. Sensile has also granted us an exclusive worldwide manufacturing license to permit us, or an alternative supplier, to make the drug-device combination product described above, which we have outsourced to third-party manufacturers. Under the license agreement, we have been licensed a patent portfolio of over ten patent families directed to drug pump technology, at least three families of which are applicable to our sc2Wear Infusor. These three families include certain granted patents and pending patent applications in the United States and foreign jurisdictions, including Australia, Brazil, Canada, China, certain European countries, Hong Kong, India, Israel, Japan, Mexico, Russia, Singapore, South Africa, and South Korea. Patents in these three families will begin expiring in the 2024 to 2026 time frame, with certain patent rights extending from 2027 to 2030 and possibly 2034 or later, subject to payment of annuity and maintenance fees and further subject to possible patent term extension. We own the improvements resulting from the development activities, whether by us or by Sensile, related to the drugs and the product or components thereof. Sensile owns the improvements resulting from development activities related to the device and its manufacturing process which are not specific to the device.

We are subject to diligence obligations to achieve certain milestones set forth in the license agreement. For example, we are required to commence commercial sales of an approved product for loop diuretics within twelve months after obtaining regulatory approval in such country or region. In addition, if we obtain regulatory approval of a product in the United States, we are required to submit that product for regulatory approval in the European Union within twelve months, and all other countries within 24 months after the first commercial sale of such product in the United States. The license agreement also requires us to secure FDA approval of the product within 24 months after our submission of an NDA which, in the case of Furoscix, we submitted in August 2017. In the event that we fail to comply with these diligence obligations, we may lose exclusivity in the field of loop diuretics under the license.

As consideration for the license, we are required to pay a low- to mid-single digit fee on certain components within the product that are sold to a third party or used in clinical trials. In addition, we are required to pay a low- to mid-single digit royalty on net sales of products covered by the license. Such royalty obligations cease with respect to the geographies or products for which we lose exclusivity, or in the event that Sensile materially breaches an obligation.

Either we or Sensile may terminate the license agreement if the other party commits a material breach and fails to cure such breach within 90 days after written notice, or upon the bankruptcy, insolvency, dissolution or winding up of the other party. In addition, we may terminate the license agreement for any reason, upon 60 days' prior written notice.

## COMPETITION

Our industry is characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. We face competition and potential competition from a number of sources, including pharmaceutical and biotechnology companies, generic drug companies, drug delivery companies and academic and research institutions. We believe the key competitive factors that will affect the development and commercial success of our product candidates include ease of administration and convenience of dosing, therapeutic efficacy, safety and tolerability profiles and cost. Many of our potential competitors have substantially greater financial, technical and human resources than we do, as well as more experience in the development of product candidates, obtaining FDA and other regulatory approvals of products, and the commercialization of those products. Consequently, our competitors may develop similar products for the treatment of heart failure or for other indications we may pursue in the future, and such competitors' products may be more effective, better tolerated and less costly than our product candidates. Our competitors may also be more successful in manufacturing and marketing their products than we are. We will also face competition in recruiting and retaining qualified personnel and establishing clinical trial sites and patient enrollment in clinical trials.

## GOVERNMENT REGULATION

### *United States Drug Development*

In the United States, the FDA regulates drugs, medical devices and combinations of drugs and devices, or combination products, under the federal Food, Drug, and Cosmetic Act, or FDCA, and its implementing regulations. Drugs are also subject to other federal, state and local statutes and regulations. 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. Failure to comply with the applicable U.S. requirements at any time during the product development process, approval process or after approval, may subject an applicant to administrative or judicial sanctions. These sanctions could include, among other actions, the FDA's refusal to approve pending applications, withdrawal of an approval, a clinical hold, untitled or warning letters, requests for voluntary product recalls or withdrawals from the market, product seizures, total or partial suspension of production or distribution injunctions, fines, refusals of government contracts, restitution, disgorgement, or civil or criminal penalties. Any agency or judicial enforcement action could have a material adverse effect on us.

Our product candidates are subject to regulation as combination products, which means that they are composed of both a drug product and device product. If marketed individually, each component would be subject to different regulatory pathways and reviewed by different Centers within the FDA. A combination product, however, is assigned to a Center that will have primary jurisdiction over its regulation based 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. In the case of our product candidates, the primary mode of action is attributable to the drug component of the product, which means that the FDA's Center for Drug Evaluation and Research has primary jurisdiction over the premarket development, review and approval of our product candidates. Accordingly, we plan to investigate our products through the IND framework and seek approval through the NDA pathway. Based on our discussions with the FDA to date, we do not anticipate that the FDA will require a separate medical device authorization for the device, but this could change during the course of its review of any marketing application that we may submit. The process required by the FDA before a drug may be marketed in the United States generally involves the following:

- completion of extensive pre-clinical laboratory tests, animal studies and formulation studies in accordance with applicable regulations, including the FDA's Good Laboratory Practice regulations;
- submission to the FDA of an IND, which must become effective before human clinical trials may begin;
- performance of adequate and well-controlled human clinical trials in accordance with an applicable IND and other clinical study related regulations, sometimes referred to as good clinical practices, or GCPs, to establish the safety and efficacy of the proposed drug for its proposed indication;
- submission to the FDA of an NDA;
- satisfactory completion of an FDA pre-approval inspection of the manufacturing facility or facilities at which the product, or components thereof, are produced to assess compliance with the FDA's current good manufacturing practice requirements, or cGMP;

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- potential FDA audit of the clinical trial sites that generated the data in support of the NDA; and
- FDA review and approval of the NDA prior to any commercial marketing or sale.

Once a pharmaceutical product candidate is identified for development, it enters the pre-clinical testing stage. Pre-clinical tests include laboratory evaluations of product chemistry, toxicity, formulation and stability, as well as animal studies. An IND sponsor must submit the results of the pre-clinical tests, together with manufacturing information, analytical data and any available clinical data or literature, to the FDA as part of the IND. The sponsor must also include a protocol detailing, among other things, the objectives of the initial clinical trial, the parameters to be used in monitoring safety and the effectiveness criteria to be evaluated if the initial clinical trial lends itself to an efficacy evaluation. Some pre-clinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA raises concerns or questions related to a proposed clinical trial and places the trial on a clinical hold within that 30-day period. In such a case, the IND sponsor and the FDA must resolve any outstanding concerns before the clinical trial can begin. Clinical holds also may be imposed by the FDA at any time before or during clinical trials due to safety concerns or non-compliance, and may be imposed on all drug products within a certain class of drugs. The FDA also can impose partial clinical holds, for example, prohibiting the initiation of clinical trials of a certain duration or for a certain dose.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with GCP regulations. These regulations include the requirement that all research subjects provide informed consent in writing before their participation in any clinical trial. Further, an institutional review board, or IRB, must review and approve the plan for any clinical trial before it commences at any institution, and the IRB must conduct continuing review and reapprove the study at least annually. An IRB considers, among other things, whether the risks to individuals participating in the clinical trial are minimized and are reasonable in relation to anticipated benefits. The IRB also approves the information regarding the clinical trial and the consent form that must be provided to each clinical trial subject or his or her legal representative and must monitor the clinical trial until completed.

Each new clinical protocol and any amendments to the protocol must be submitted for FDA review, and to the IRBs for approval. Protocols detail, among other things, the objectives of the clinical trial, dosing procedures, subject selection and exclusion criteria, and the parameters to be used to monitor subject safety.

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

- Phase 1. The product is initially introduced into a small number of healthy human subjects or patients and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion and, if possible, to gain early evidence on effectiveness. In the case of some products for severe or life-threatening diseases, especially when the product is suspected or known to be unavoidably toxic, the initial human testing may be conducted in patients.
- Phase 2. Involves clinical trials 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 and optimal dosage and schedule.
- Phase 3. Clinical trials are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical trial sites. These clinical trials are intended to establish the overall risk/benefit relationship of the product and provide an adequate basis for product labeling.

Post-approval trials, sometimes referred to as Phase 4 clinical trials, may be conducted after initial marketing approval. These studies are used to gain additional experience from the treatment of patients in the intended therapeutic indication. In certain instances, the FDA may mandate the performance of Phase 4 trials. Companies that conduct certain clinical trials also are required to register them and post the results of completed clinical trials on a government-sponsored database, such as ClinicalTrials.gov in the United States, within certain timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Progress reports detailing the results of the clinical trials, among other information, must be submitted at least annually to the FDA, and written IND safety reports must be submitted to the FDA and the investigators for serious

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and unexpected adverse events, findings from other studies that suggest a significant risk to humans exposed to the product, findings from animal or in vitro testing that suggest a significant risk to human subjects, and any clinically important increase in the rate of a serious suspected adverse reaction over that listed in the protocol or investigator brochure. Phase 1, Phase 2 and Phase 3 clinical trials may not be completed successfully within any specified period, if at all. The FDA or the clinical trial sponsor may suspend or terminate a clinical trial at any time on various grounds, including a finding that the research subjects or patients are being exposed to an unacceptable health risk. Similarly, an IRB can suspend or terminate approval of a clinical trial at its institution if the clinical trial is not being conducted in accordance with the IRB's requirements or if the product has been associated with unexpected serious harm to patients. Additionally, some clinical trials are overseen by an independent group of qualified experts organized by the clinical trial sponsor, known as a data safety monitoring board or committee. This group provides authorization for whether a trial may move forward at designated check points based on access to certain data from the study. The clinical trial sponsor may also suspend or terminate a clinical trial based on evolving business objectives and/or competitive climate.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the product and 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 and, among other things, the manufacturer must develop methods for testing the identity, strength, quality and purity of the final product. 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 and FDA Review Process***

The results of product development, pre-clinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the drug, proposed labeling and other relevant information, are submitted to the FDA as part of an NDA for a new drug, requesting approval to market the product. The submission of an NDA is subject to the payment of a substantial user fee, and the sponsor of an approved NDA is also subject to annual product and establishment user fees; although a waiver of such fee may be obtained under certain limited circumstances. For example, the agency will waive the application fee for the first human drug application that a small business or its affiliate submits for review.

The FDA reviews all NDAs submitted before it accepts them for filing and may request additional information rather than accepting an NDA for filing. The FDA typically makes a decision on accepting an NDA for filing within 60 days of receipt. The decision to accept the NDA for filing means that the FDA has made a threshold determination that the application is sufficiently complete to permit a substantive review. Under the goals and policies agreed to by the FDA under the Prescription Drug User Fee Act, or PDUFA, the FDA's goal to complete its substantive review of a standard NDA and respond to the applicant is ten months from the receipt of the NDA. The FDA does not always meet its PDUFA goal dates, and the review process is often significantly extended by FDA requests for additional information or clarification and may go through multiple review cycles.

After the NDA submission is accepted for filing, the FDA reviews the NDA to determine, among other things, whether the proposed product is safe and effective for its intended use, and whether the product is being manufactured in accordance with cGMPs to assure and preserve the product's identity, strength, quality and purity. The FDA may refer applications for novel drug products or drug products which present difficult questions of safety or efficacy to an advisory committee, typically a panel that includes clinicians and other experts, for review, evaluation and a recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendations of an advisory committee, but it considers such recommendations carefully when making decisions. The FDA will likely re-analyze the clinical trial data, which could result in extensive discussions between the FDA and us during the review process. The review and evaluation of an NDA by the FDA is extensive and time consuming and may take longer than originally planned to complete, and we may not receive a timely approval, if at all.

Before approving an NDA, the FDA will conduct a pre-approval inspection of the manufacturing facilities for the new product to determine whether they comply with cGMPs. The FDA will not approve the product 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. In addition, before approving an NDA, the FDA

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may also audit data from clinical trials to ensure compliance with GCP requirements. After the FDA evaluates the application, manufacturing process and manufacturing facilities, it may issue an approval letter or a Complete Response Letter. An approval letter authorizes commercial marketing of the drug with specific prescribing information for specific indications. A Complete Response Letter indicates that the review cycle of the application is complete and the application will not be approved in its present form. A Complete Response Letter usually describes all the specific deficiencies in the NDA identified by the FDA. The Complete Response Letter may require additional clinical data and/or an additional pivotal Phase 3 clinical trial(s), and/or other significant and time-consuming requirements related to clinical trials, nonclinical studies or manufacturing. If a Complete Response Letter is issued, the applicant may either resubmit the NDA, addressing all the deficiencies identified in the letter, or withdraw the application. Even if such data and information are submitted, the FDA may ultimately decide that the NDA does not satisfy the criteria for approval. Data obtained from clinical trials are not always conclusive, and the FDA may interpret data differently than we interpret the same data.

There is no assurance that the FDA will ultimately approve a product for marketing in the United States, and we may encounter significant difficulties or costs during the review process. If a product receives marketing approval, the approval may be significantly limited to specific diseases and dosages or the indications for use may otherwise be limited, which could restrict the commercial value of the product. Further, the FDA may require that certain contraindications, warnings or precautions be included in the product labeling or may condition the approval of the NDA on other changes to the proposed labeling, development of adequate controls and specifications, or a commitment to conduct post-market testing or clinical trials and surveillance to monitor the effects of approved products. For example, the FDA may require Phase 4 clinical trials to further assess drug safety and effectiveness and may require testing and surveillance programs to monitor the safety of approved products that have been commercialized. The FDA may also place other conditions on approvals including the requirement for a risk evaluation and mitigation strategy, or REMS, to assure the safe use of the drug. If the FDA concludes a REMS is needed, the sponsor of the NDA must submit a proposed REMS; the FDA will not approve the NDA without an approved REMS, if required. A REMS 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. Any of these limitations on approval or marketing could restrict the commercial promotion, distribution, prescription or dispensing of products. Product approvals may be withdrawn for non-compliance with regulatory requirements or if problems occur following initial marketing.

### **505(b)(2) Approval Process**

Section 505(b)(2) of the FDCA provides an alternate regulatory pathway for the FDA to approve a new product and permits reliance for such approval on published literature or an FDA finding of safety and effectiveness for a previously approved drug product. Specifically, section 505(b)(2) permits the filing of an NDA where one or more of the investigations relied upon by the applicant for approval were not conducted by or for the applicant and for which the applicant has not obtained a right of reference. The applicant may rely upon published literature and/or the FDA's findings of safety and effectiveness for a previously approved drug. Typically, 505(b)(2) applicants must perform additional trials to support the change from the previously approved drug and to further demonstrate the new product's safety and effectiveness. The FDA may then approve the new product candidate for all or some of the labeled indications for which the referenced product has been approved, as well as for any new indication sought by the section 505(b)(2) applicant.

Our subcutaneous formulation of furosemide is based upon an already approved version of furosemide in oral and IV formulations, rather than a new chemical entity product candidate. Accordingly, we expect to be able to submit a 505(b)(2) application that relies on FDA's prior findings of safety and effectiveness for previously-approved oral and/or IV furosemide in our clinical development plans and our NDA submission.

### **Regulation of Combination Products in the United States**

Certain products may be comprised of components, such as drug components and device components, that would normally be regulated under different types of regulatory authorities, and frequently by different centers at the FDA. These products are known as combination products. Specifically, under regulations issued by the FDA, a combination product may be:

- a product comprised of two or more regulated components that are physically, chemically, or otherwise combined or mixed and produced as a single entity;
- two or more separate products packaged together in a single package or as a unit and comprised of drug and device products, device and biological products, or biological and drug products;
- a drug, or device, or biological product packaged separately that according to its investigational plan or proposed labeling is intended for use only with an approved individually specified drug, or device, or biological product where both are required to achieve the intended use, indication, or effect and where upon approval of the proposed product the labeling of the approved product would need to be changed, e.g., to reflect a change in intended use, dosage form, strength, route of administration, or significant change in dose; or
- any investigational drug, or device, or biological product packaged separately that according to its proposed labeling is for use only with another individually specified investigational drug, device, or biological product where both are required to achieve the intended use, indication, or effect.

Under the FDCA and its implementing regulations, the FDA is charged with assigning a center with primary jurisdiction, or a lead center, for review of a combination product. The designation of a lead center generally eliminates the need to receive approvals from more than one FDA component for combination products, although it does not preclude consultations by the lead center with other components of FDA. The determination of which center will be the lead center is based on the "primary mode of action" of the combination product. Thus, if the primary mode of action of a drug-device combination product is attributable to the drug product, the FDA center responsible for premarket review of the drug product would have primary jurisdiction for the combination product. The FDA has also established an Office of Combination Products to address issues surrounding combination products and provide more certainty to the regulatory review process. That office serves as a focal point for combination product issues for agency reviewers and industry. It is also responsible for developing guidance and regulations to clarify the regulation of combination products, and for assignment of the FDA center that has primary jurisdiction for review of combination products where the jurisdiction is unclear or in dispute.

A combination product with a drug primary mode of action generally would be reviewed and approved pursuant to the drug approval processes under the FDCA. In reviewing the NDA or 505(b)(2) application for such a product, however, FDA reviewers in the drug center could consult with their counterparts in the device center to ensure that the device component of the combination product met applicable requirements regarding safety, effectiveness, durability and performance. In addition, under FDA regulations, combination products are subject to cGMP requirements applicable to both drugs and devices, including the Quality System, or QS, regulations applicable to medical devices.

Drug-device combination products present unique challenges for competitors seeking approval of Abbreviated New Drug Applications, or ANDA, for generic versions of combination products. Generally, FDA reviews both the drug and device constituents of a proposed generic product to determine whether it is the same as the innovator product, including whether the basic design and operating principles of the device component are the same and whether minor differences require significant differences in labeling for safe and effective use. If FDA determines that the device component of the proposed generic product is not the same in terms of performance and critical design, or that the labeling is not the same, it generally will not approve the ANDA. Likewise, if FDA determines that certain clinical studies, such as clinical usability or human factors studies, are necessary to demonstrate the safety and/or effectiveness of the device component, FDA generally will not accept or approve an ANDA for a combination product and will instead require the submission of a full NDA or 505(b)(2) application.

#### **Post-Marketing Requirements**

Any products for which we receive FDA approval are subject to continuing regulation by the FDA, including, among other things, monitoring and recordkeeping activities, reporting to the applicable regulatory authorities of adverse



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events with the product, providing the regulatory authorities with updated safety and efficacy information, and product sampling and distribution requirements in accordance with the Prescription Drug Marketing Act, a part of the FDCA. Moreover, each component of a combination product retains their regulatory status (as a drug or device, for example) and is subject to the requirements established by the FDA for that type of component. The FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market.

Prescription drug advertising is subject to federal, state and foreign regulations. In the United States, the FDA regulates prescription drug promotion and advertising, including direct-to-consumer advertising. Prescription drug promotional materials must be submitted to the FDA in conjunction with their first use. In addition, a pharmaceutical company must comply with restrictions on promoting drugs for uses or in patient populations that are not described in the drug's approved labeling (known as "off-label use"), limitations on industry-sponsored scientific and educational activities, and requirements for promotional activities involving the internet. Although physicians may prescribe legally available drugs for off-label uses, manufacturers typically may not market or promote such off-label uses.

In the United States, once a product is approved, its manufacture is subject to comprehensive and continuing regulation by the FDA. The FDA regulations require that combination products be manufactured in specific approved facilities and in accordance with cGMPs applicable to drugs and devices, including certain QS requirements. We rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our products in accordance with cGMP regulations. cGMP regulations require among other things, quality control and quality assurance as well as the corresponding maintenance of records and documentation and the obligation to investigate and correct any deviations from cGMP. Drug manufacturers and other entities involved in the manufacture and distribution of approved drugs 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 cGMPs and other laws. Accordingly, manufacturers must continue to expend time, money, and effort in the area of production and quality control to maintain cGMP compliance. These regulations also impose certain organizational, procedural and documentation requirements with respect to manufacturing and quality assurance activities. NDA holders using contract manufacturers, laboratories or packagers are responsible for the selection and monitoring of qualified firms, and, in certain circumstances, qualified suppliers to these firms. These firms and, where applicable, their suppliers are subject to inspections by the FDA at any time, and the discovery of violative conditions, including failure to conform to cGMPs, could result in enforcement actions that interrupt the operation of any such facilities or the ability to distribute products manufactured, processed or tested by them. Discovery of problems with a product after approval may result in restrictions on a product, manufacturer, or holder of an approved NDA, including, among other things, recall or withdrawal of the product from the market.

The FDA also may require post-marketing testing, known as Phase 4 testing, REMS and surveillance to monitor the effects of an approved product or place conditions on an approval that could restrict the distribution or use of the product. Discovery of previously unknown problems with a product or the failure to comply with applicable FDA requirements can have negative consequences, including adverse publicity, judicial or administrative enforcement, untitled or warning letters from the FDA, mandated corrective advertising or communications with doctors, and civil or criminal penalties, among others. Newly discovered or developed safety or effectiveness data may require changes to a product's approved labeling, including the addition of new warnings and contraindications, and may require the implementation of other risk management measures. 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 our products under development and impact approved products already on the market.

### **Other Regulatory Matters**

The distribution of pharmaceutical products is subject to additional requirements and regulations, including extensive record-keeping, licensing, storage and security requirements intended to prevent the unauthorized sale of pharmaceutical products.

The failure to comply with regulatory requirements subjects firms to possible legal or regulatory action. Depending on the circumstances, failure to meet applicable regulatory requirements can result in criminal prosecution, fines or other penalties, injunctions, voluntary recall, seizure of products, total or partial suspension of production, denial or withdrawal of product approvals, exclusion from federal healthcare programs, or refusal to allow a firm to enter into

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supply contracts, including government contracts. In addition, even if a firm complies with FDA and other requirements, new information regarding the safety or effectiveness of a product could lead the FDA to modify or withdraw product approval. Prohibitions or restrictions on sales or withdrawal of future products marketed by us could materially affect our business in an adverse way.

Changes in regulations, statutes or the interpretation of existing regulations could impact our business in the future by requiring, for example: (i) changes to our manufacturing arrangements; (ii) additions or modifications to product labeling; (iii) the voluntary recall or discontinuation of our products; or (iv) additional record-keeping requirements. If any such changes were to be imposed, they could adversely affect the operation of our business.

### ***Orphan Designation and Exclusivity***

The FDA may grant orphan drug designation to drugs intended to treat a rare disease or condition that affects fewer than 200,000 individuals in the United States. Alternatively, orphan drug designation may be available if the disease or the condition affects more than 200,000 individuals in the United States and there is no reasonable expectation that the cost of developing and making the drug for this type of disease or condition will be recovered from sales in the United States.

Orphan drug designation entitles a party to financial incentives such as opportunities for grant funding towards clinical trial costs, tax advantages, and user-fee waivers. In addition, if a product is the first to receive FDA approval of the indication for which it has orphan designation, the product is entitled to orphan drug exclusivity, which means the FDA may not approve any other application to market the same drug for the same indication for a period of seven years, except in limited circumstances, such as a showing of clinical superiority over the product with orphan exclusivity.

### ***U.S. Marketing Exclusivity***

Market exclusivity provisions under the FDCA can also delay the submission or the approval of certain marketing applications, including 505(b)(2) applications. The FDA provides three years of marketing exclusivity for an NDA (including a 505(b)(2) application), or supplement to an existing NDA, if new clinical investigations, other than bioavailability studies, that were conducted or sponsored by the applicant are deemed by the FDA to be essential to the approval of the application. Three-year exclusivity is typically awarded to innovative changes to a previously-approved drug product, such as new indications, dosage forms or strengths. This three-year exclusivity covers only the modification for which the drug received approval on the basis of the new clinical investigations and does not prohibit the FDA from approving applications for drugs that do not have the innovative change, such as generic copies of the original, unmodified drug product. Three-year exclusivity blocks approval of 505(b)(2) applications and ANDAs but will not delay the submission or approval of a full NDA. However, an applicant submitting a full NDA would be required to conduct or obtain a right of reference to all of the nonclinical studies and adequate and well-controlled clinical trials necessary to demonstrate safety and effectiveness. Orphan drug exclusivity, as described below, may offer a seven-year period of marketing exclusivity, except in certain circumstances. Pediatric exclusivity is another type of regulatory market exclusivity in the United States. Pediatric exclusivity, if granted, adds six months to existing exclusivity periods and patent terms. This six-month exclusivity, which runs from the end of other exclusivity protection and patent terms, may be granted based on the voluntary completion of a pediatric trial in accordance with an FDA-issued "Written Request" for such a trial.

### ***European Orphan Designation and Exclusivity***

In the European Union, the EMA's Committee for Orphan Medicinal Products, or COMP, grants orphan drug designation to promote the development of products that are intended for the diagnosis, prevention or treatment of life-threatening or chronically debilitating conditions that affect not more than five in 10,000 persons in the European Union Community, or when, without incentives, it is unlikely that sales of such products in the European Union would be sufficient to justify the necessary investment in developing the products. Additionally, orphan drug designation is only available where no satisfactory method of diagnosis, prevention, or treatment of the condition has been authorized (or the product would be a significant benefit to those affected).

In the European Union, orphan drug designation entitles a party to financial incentives such as reduction of fees or fee waivers and 10 years of market exclusivity is granted following medicinal product approval. This period may be reduced to six years if the orphan drug designation criteria are no longer met, including where it is shown that the



product is sufficiently profitable not to justify maintenance of market exclusivity. Market exclusivity would not prevent the approval of a similar drug that is shown to be safer, more effective or otherwise clinically superior.

**Other Healthcare Laws and Compliance Requirements**

In addition to FDA restrictions on the marketing of pharmaceutical products and medical devices, we may be subject to various federal and state laws targeting fraud and abuse in the healthcare industry. These laws may impact, among other things, our proposed sales, marketing and education programs. In addition, we may be subject to patient privacy regulation by both the federal government and the states in which we conduct our business. The laws that may affect our ability to operate include:

- the federal Anti-Kickback Statute, which prohibits, among other things, knowingly and willfully soliciting, receiving, offering or paying any remuneration (including any kickback, bribe, or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce, or in return for, either the referral of an individual, or the purchase, lease, order or recommendation of any good, facility, item or service for which payment may be made, in whole or in part, under a federal healthcare program, such as the Medicare and Medicaid programs; a person or entity does not need to have actual knowledge of the federal Anti-Kickback 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 federal False Claims Act or federal civil money penalties statute;
- federal civil and criminal false claims laws and civil monetary penalties laws, such as the federal False Claims Act, which impose criminal and civil penalties and authorize civil whistleblower or qui tam actions, against individuals or entities for, among other things: knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent; making, using or causing to be made or used, a false statement or record material to a false or fraudulent claim or obligation to pay or transmit money or property to the federal government; or knowingly concealing or knowingly and improperly avoiding or decreasing an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created new federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations, or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payer (e.g., public or private) and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters; similar to the federal Anti-Kickback Statute, a person or entity does not need to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act of 2009, and their respective implementing regulations, which impose requirements on certain covered healthcare providers, health plans, and healthcare clearinghouses as well as their respective business associates that perform services for them that involve the use, or disclosure of, individually identifiable health information, relating to the privacy, security and transmission of individually identifiable health information;
- the federal false statements statute, which prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;
- the federal transparency requirements under the Affordable Care Act, including the provision commonly referred to as the Physician Payments Sunshine Act, which requires manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid or the Children's Health Insurance Program to report annually to the U.S. Department of Health and Human Services information related to payments or other transfers of value made to physicians (defined to include doctors, dentists, optometrists, podiatrists and chiropractors) and teaching hospitals, as well as ownership and investment interests held by the physicians described above and their immediate family members;
- federal government price reporting laws, which require us to calculate and report complex pricing metrics in an accurate and timely manner to government programs; and

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- federal consumer protection and unfair competition laws, which broadly regulate marketplace activities and activities that potentially harm consumers.

Additionally, we are subject to state and non-U.S. equivalents of each of the healthcare laws described above, among others, some of which may be broader in scope and may apply regardless of the payer. Many U.S. states have adopted laws similar to the federal Anti-Kickback Statute, some of which apply to the referral of patients for healthcare services reimbursed by any source, not just governmental payers, including private insurers. In addition, some states have passed laws that require pharmaceutical companies to comply with the April 2003 Office of Inspector General Compliance Program Guidance for Pharmaceutical Manufacturers and/or the Pharmaceutical Research and Manufacturers of America's Code on Interactions with Healthcare Professionals. Several states also impose other marketing restrictions or require pharmaceutical companies to make marketing or price disclosures to the state. There are ambiguities as to what is required to comply with these state requirements and if we fail to comply with an applicable state law requirement we could be subject to penalties. Finally, there are state and non-U.S. laws governing the privacy and security of health information, many of which differ from each other in significant ways and often are not preempted by HIPAA, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws.

Violations of fraud and abuse laws may be punishable by criminal and/or civil sanctions, including penalties, fines, imprisonment and/or exclusion or suspension from federal and state healthcare programs such as Medicare and Medicaid and debarment from contracting with the U.S. government. In addition, private individuals have the ability to bring actions on behalf of the U.S. government under the federal False Claims Act as well as under the false claims laws of several states.

Neither the U.S. government nor the U.S. courts have provided definitive guidance on the application of fraud and abuse laws to our business. Law enforcement authorities are increasingly focused on enforcing these laws, and it is possible that some of our practices may be challenged under these laws. Efforts to ensure that our current and future business arrangements with third parties, and our business generally, will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices, including our arrangements with physicians and other healthcare providers, some of whom receive stock options as compensation for services provided, may not comply with current or future statutes, regulations, agency guidance or case law involving applicable fraud and abuse or other healthcare laws and regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, disgorgement, monetary fines, imprisonment, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our results of operations. In addition, the approval and commercialization of any of our drug candidates outside the United States will also likely subject us to non-U.S. equivalents of the healthcare laws mentioned above, among other non-U.S. laws.

If any of the physicians or other healthcare providers or entities with whom we expect to do business with are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs, which may also adversely affect our business.

### **Healthcare Reform**

A primary trend in the U.S. healthcare industry and elsewhere is cost containment. Government authorities and other third-party payers have attempted to control costs by limiting coverage and the amount of reimbursement for particular medical products. For example, in March 2010, the Affordable Care Act was enacted, which, among other things, increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program; introduced 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; extended the Medicaid Drug Rebate Program to utilization of prescriptions of individuals enrolled in Medicaid managed care plans; imposed mandatory discounts for certain Medicare Part D beneficiaries as a condition for manufacturers' outpatient drugs

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coverage under Medicare Part D; subjected drug manufacturers to new annual fees based on pharmaceutical companies' share of sales to federal healthcare programs; imposed a new federal excise tax on the sale of certain medical devices; created a new Patient Centered Outcomes Research Institute to oversee, identify priorities in and conduct comparative clinical effectiveness research, along with funding for such research; created the Independent Payment Advisory Board, which, if impaneled, would have authority to recommend certain changes to the Medicare program that could result in reduced payments for prescription drugs; and established the a Center for Medicare Innovation at the CMS to test innovative payment and service delivery models to lower Medicare and Medicaid spending.

Since its enactment, there have been judicial and Congressional challenges to numerous provisions of the Affordable Care Act. In January 2017, President Trump signed an Executive Order directing federal agencies with authorities and responsibilities under the Affordable Care Act to waive, defer, grant exemptions from, or delay the implementation of any provision of the Affordable Care Act that would impose a fiscal or regulatory burden on states, individuals, healthcare providers, health insurers, or manufacturers of pharmaceuticals or medical devices. The U.S. House of Representatives passed legislation known as the American Health Care Act of 2017 in May, 2017. More recently, the Senate Republicans introduced and then updated a bill to replace the Affordable Care Act known as the Better Care Reconciliation Act of 2017. The Senate Republicans also introduced legislation to repeal the Affordable Care Act without companion legislation to replace it, and a "skinny" version of the Better Care Reconciliation Act of 2017. Each of these measures was rejected by the full Senate. Congress will likely consider other legislation to replace elements of the Affordable Care Act. We continue to evaluate the effect that the Affordable Care Act and its possible repeal and replacement could have on our business.

In addition, the Budget Control Act of 2011 and the Bipartisan Budget Act of 2015 led to aggregate reductions of Medicare payments to providers of up to 2% per fiscal year that will remain in effect through 2025 unless additional Congressional action is taken. Further, on January 2, 2013, the American Taxpayer Relief Act was signed into law, which, among other things, reduced Medicare payments to several types of providers, including hospitals, imaging centers and cancer treatment centers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. More recently, there has been heightened governmental scrutiny over the manner in which manufacturers set prices for their marketed products, which have resulted in several recent Congressional inquiries and proposed bills designed to, among other things, bring more transparency to product pricing, review the relationship between pricing and manufacturer patient programs, and reform government program reimbursement methodologies for pharmaceutical products. Individual states in the United States have also become increasingly active in passing legislation and implementing regulations designed to control pharmaceutical product pricing, including price or patient reimbursement constraints, discounts, restrictions on certain product access and marketing cost disclosure and transparency measures, and, in some cases, designed to encourage importation from other countries and bulk purchasing.

We expect that additional foreign, federal and state healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in limited coverage and reimbursement and reduced demand for our products, once approved, or additional pricing pressures.

### **Coverage and Reimbursement**

Significant uncertainty exists as to the coverage and reimbursement status of any product candidate for which we obtain regulatory approval. In the United States and markets in other countries, sales of any product candidates for which we receive regulatory approval for commercial sale will depend, in part, on the availability of coverage and reimbursement from third-party payers. Third-party payers include government authorities, managed care providers, private health insurers and other organizations. The process for determining whether a payer will provide coverage for a product may be separate from the process for setting the reimbursement rate that the payer will pay for the product. Third-party payers may limit coverage to specific products on an approved list, or formulary, which might not include all of the FDA-approved products for a particular indication. A decision by a third-party payer not to cover our product candidates could reduce physician utilization of our products once approved and have a material adverse effect on our sales, results of operations and financial condition. Moreover, a payer's decision to provide coverage for a product does not imply that an adequate reimbursement rate will be approved. Adequate third-party

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reimbursement may not be available to enable us to maintain price levels sufficient to realize an appropriate return on our investment in product development.

In addition, coverage and reimbursement for products can differ significantly from payer to payer. One third-party payer's decision to cover a particular medical product or service does not ensure that other payers will also provide coverage for the medical product or service, or will provide coverage at an adequate reimbursement rate. As a result, the coverage determination process will require us to provide scientific and clinical support for the use of our products to each payer separately and will be a time-consuming process.

Third-party payers are increasingly challenging the price and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. In order to obtain and maintain coverage and reimbursement for any product, we may need to conduct expensive clinical trials in order to demonstrate the medical necessity and cost-effectiveness of such product, in addition to the costs required to obtain regulatory approvals. Our products may not be considered medically necessary or cost-effective. If third-party payers do not consider a product to be cost-effective compared to other available therapies, they may not cover the product as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow a company to sell its products at a profit.

Outside of the United States, the pricing of pharmaceutical products and medical devices is subject to governmental control in many countries. For example, in the European Union, pricing and reimbursement schemes vary widely from country to country. Some countries provide that products may be marketed only after a reimbursement price has been agreed. Some countries may require the completion of additional studies that compare the cost-effectiveness of a particular therapy to currently available therapies or so called health technology assessments, in order to obtain reimbursement or pricing approval. Other countries may allow companies to fix their own prices for products, but monitor and control product volumes and issue guidance to physicians to limit prescriptions. Efforts to control prices and utilization of pharmaceutical products and medical devices will likely continue as countries attempt to manage healthcare expenditures.

### **Employees**

As of June 30, 2017, we had 27 employees, including five in commercial operations, five in research and development, 11 in clinical and medical affairs, regulatory affairs and quality assurance and six in finance, general administrative and executive administration. 24 employees are full time employees and three are part time employees. None of our employees are represented by a labor union or are parties to a collective bargaining agreement and we believe that our employee relations are good.

### **Facilities**

Our principal executive offices are located in a 13,066 square foot facility in Burlington, Massachusetts. The term of the lease for our facility extends through November 2022. Our facility houses our research and development, sales, marketing, finance and administrative activities. We believe that our current facilities are adequate to meet our needs for the foreseeable future and that suitable additional space will be available as and when needed.

### **Legal Proceedings**

We are not currently a party to any material legal proceedings.

**MANAGEMENT**

The following table sets forth the name, age and position of each of our executive officers and directors, as of August 1, 2017:

<u>NAME</u>	<u>AGE</u>	<u>POSITION</u>
<b>Executive Officers</b>		
John H. Tucker	54	President, Chief Executive Officer and Director
Abraham Ceesay	39	Chief Operating Officer
Troy Ignelzi	49	Chief Financial Officer
<b>Non-Employee Directors</b>		
Mette Kirstine Agger	53	Director
Dorothy Coleman	54	Director
Abhay Gandhi	53	Director
Jack A. Khattar	56	Director
Kush M. Parmar M.D., Ph.D.	36	Director
Leonard D. Schaeffer	72	Director
Jonathan Silverstein	50	Director

(1) Member of the audit committee

(2) Member of the compensation committee

(3) Member of the nominating and corporate governance committee

**Executive Officers**

*John H. Tucker* has been our Chief Executive Officer since January 2017, and has also served on our board of directors since that time. Prior to that, from 2016 to 2017, Mr. Tucker served as chief executive officer of Algal Scientific. Before Algal Scientific, from 2014 to 2016, Mr. Tucker served as chief executive officer of Alcresta, a developer of enzyme-based products for patients with acute and chronic diseases. Prior to Alcresta, from late 2013 to April 2014 Nelson Bach U.S., Mr. Tucker worked at Nelson Bach U.S. as chief executive officer of its North American business. Prior to that, he served as senior vice president and chief commercial officer of Incline Therapeutics, a hospital-focused specialty pharmaceutical company, from 2012 until the company was purchased by The Medicines Company in January of 2013. Mr. Tucker continued in his role at The Medicines Company through the transition into late 2013. Mr. Tucker joined Incline from AMAG Pharmaceuticals, a pharmaceutical company developing products that treat adults with iron deficiency anemia, where he was senior vice president, Commercial Operations in 2012. Prior to AMAG Pharmaceuticals, from 2007 to 2011, Mr. Tucker served as president, U.S. Operations at Basilea Pharmaceuticals, a multinational specialty biopharmaceutical company. Prior to Basilea, from 2002 to 2007, Mr. Tucker was executive vice president, Sales and Marketing at Indevus Pharmaceuticals, a specialty pharmaceutical company. Mr. Tucker holds a B.A. from Plymouth State College and an M.B.A. from New Hampshire College. We believe Mr. Tucker is qualified to serve on our board of directors because of his extensive and broad range of experience in business and healthcare product development, including previous experience growing companies in the pharmaceutical industry.

*Abraham Ceesay* joined our company in March 2016 as Chief Operating Officer. Before that, Mr. Ceesay served as Vice President, Sales, Marketing, and Commercial Operations at Keryx Biopharmaceuticals, a biopharmaceutical company focused on renal disease, from 2014 to 2016. Prior to his career at Keryx, Mr. Ceesay served at Ironwood Pharmaceuticals, a drug manufacturer, as vice president, Marketing, from 2010 to 2014. Prior to that, from 2002 to 2010, Mr. Ceesay served at Genzyme/Sanofi, a biotechnology company, initially as a field sales specialist and ultimately as the Director, Renal Global Marketing. Mr. Ceesay holds a B.S. in Health Education & Physiology from Ithaca College, and an M.B.A. from Suffolk University's Sawyer School of Management.

*Troy Ignelzi* has been our Chief Financial Officer since March 2016. Prior to that, Mr. Ignelzi provided consulting services to us in February and March 2016. Mr. Ignelzi previously served as a member of the executive leadership teams at Juventas Therapeutics, a privately held biotechnology company, from 2014 to 2016. From 2013 to 2014, Mr. Ignelzi served as senior vice president – Operations & BD of Pharmalex, a regulatory affairs consulting company. Prior to Pharmalex, Mr. Ignelzi was vice president – Business Development at Esperion Therapeutics, a public

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pharmaceutical company, from 2009 to 2013. Mr. Ignelzi served as Vice President, BD & Strategic Planning at Insys Therapeutics, a specialty pharmaceutical company from 2007 to 2009. Mr. Ignelzi holds a B.S. in Accounting from Ferris State University.

### **Non-Employee Directors**

*Mette Kirstine Agger* has served as a member of our board of directors since March 2014. Since 2009, Ms. Agger has served as a managing partner of Lundbeckfonden Ventures, a life science venture fund. Prior to that, Ms. Agger co-founded 7TM Pharma A/S, a biotech company engaged in therapeutic drug discovery and development, in 2000, and served as its chief executive officer from founding to 2009. Prior to founding 7TM Pharma, Ms. Agger was part of the management team of NeuroSearch A/S, a drug research and development company. Ms. Agger serves on numerous boards of both in private and public companies, including Klifo, a pharmaceutical consulting company, Cydan Development, an orphan drug startup accelerator, Imara, a sickle cell disease focused drug company, Psioxus, an immuno-oncolytic virus company, Thesan Pharmaceuticals, a biopharmaceutical company focused on skin disorder therapies, Trevi Therapeutics, a late-stage clinical development company, and Veloxis, an emerging specialty pharmaceutical company. Ms. Agger graduated with an M.Sc. in Biology from the University of Copenhagen and has an M.B.A. from Henley Business School University of Reading. We believe Ms. Agger is qualified to serve on our board of directors because of her industry experience, intellectual property knowledge and her experience of serving on the board of directors for several biopharmaceutical and medtech companies.

*Dorothy Coleman* has served as a member of our board of directors since March 2015. Ms. Coleman has been the executive vice president and chief financial officer for Excellus BlueCross BlueShield and its parent corporation, The Lifetime Healthcare Companies, each a health insurance provider, since 2011. Before that, from 2009 to 2011, Ms. Coleman was chief financial officer of Blue Cross and Blue Shield of Rhode Island. Ms. Coleman holds certified public accountant licenses in New York and Arizona. She has a B.S. in Accounting from the University of Phoenix. She received her M.B.A. from the University of Rochester Simon School of Business. We believe Ms. Coleman is qualified to serve on our board of directors because of her financial expertise, industry experience and her experience working with insurance providers.

*Abhay Gandhi* has served as a member of our board of directors since December 2016. Since 2016, Mr. Gandhi has led North American Business of Sun Pharmaceutical Ltd., or Sun Pharma, a specialty generic pharmaceutical company, as its chief executive officer. Mr. Gandhi joined Sun Pharma in its marketing function in 1995 and has spent over two decades in various executive roles there, including president – marketing & sales from 2012 to 2013, and chief executive officer – India & Sub-Continent Business from 2013 until 2016. Mr. Gandhi holds a B.S. in Chemistry from Mumbai University with an M.B.A. from the Narsee Monjee Institute of Management Studies and Diploma in Finance from the Institute of Chartered Financial Analysts of India. We believe that Mr. Gandhi is qualified to serve on our board of directors because of his financial expertise and his industry experience.

*Jack A. Khattar* has served as a member of our board of directors since June 2016. Mr. Khattar founded Supernus Pharmaceuticals (NASDAQ:SUPN) in 2005, and has served as its president, chief executive officer, secretary and director since then. From 1999 to 2005, Mr. Khattar served in various positions during that time as a board member, president and chief executive officer of Shire Laboratories Inc., the drug delivery subsidiary of Shire plc. From 1999 to 2004, he also served as a member of Shire plc's Executive Committee. Prior to that, Mr. Khattar served as an executive officer and the chairman of the Management Committee at CIMA Labs Inc., a drug delivery company where he was also responsible for business development, corporate alliances and strategic planning. Prior to joining CIMA in 1995, Mr. Khattar held several marketing and business development positions at Merck & Co., Novartis, Playtex and Kodak in various locations, including the United States, Europe and the Middle East. Mr. Khattar served on the board of Rockville Economic Development, Inc. from 2003 until 2013. He currently serves on the board of directors of Prevacus, Inc., a privately-held development stage biotechnology company. Mr. Khattar earned his degrees in Marketing with a B.B.A. from American University of Beirut and an M.B.A. from the Wharton School of the University of Pennsylvania. We believe that Mr. Khattar's leadership, executive, managerial, business and pharmaceutical company experience, along with his more than 25 years of industry experience in the development and commercialization of pharmaceutical products and drug delivery technologies, qualify him to be a director.



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*Kush M. Parmar, M.D., Ph.D.* has served as a member of our board of directors since March 2014. Dr. Parmar is a Partner at 5AM Ventures, an early stage venture capital firm focused on the life sciences, where he has been since 2012. Before joining 5AM, from 2002 to 2010, he was at Harvard Medical School, where he was an NIH-sponsored M.D./Ph.D. physician scientist fellow in the joint Harvard-MIT Health Sciences and Technology Program. Dr. Parmar currently serves as a director on the boards of Arvinas (since 2013), Audentes (since 2013), CycloPorters (since 2016), and Homology (since 2015). He previously served as board observer for Envoy (acquired by Takeda) and Achaogen (NASDAQ: AKAO). He is a member of the scientific advisory board of the Grace Wilsey Foundation and is a fellow of the society of Kauffman fellows. Before joining 5AM, Dr. Parmar completed clinical clerkships at the Massachusetts General & Brigham and Women's Hospitals, attended courses at Harvard Business School and consulted for an oncology startup. He also founded a non-profit international development organization, the Cruz Blanca Initiative. He holds an A.B. in Molecular Biology and Medieval Studies from Princeton University, a Ph.D in Experimental Pathology from Harvard University, and an M.D. from Harvard Medical School. We believe that Dr. Parmar's experience in the life sciences industry, his experience a venture capitalist and senior executive, as well as his service on the boards of directors of numerous companies provide him with the qualifications to serve as a director of our company.

*Leonard D. Schaeffer* has served as a member of our board of directors since 2014. He has served as a partner of North Bristol Partners LLC, a privately held consulting company, since 2006. From 2007 to 2011, Mr. Schaeffer served as the Chairman of the Board of Surgical Care Affiliates, LLC, then a privately held company operating a national network of ambulatory surgical centers and surgical hospitals. Mr. Schaeffer formerly served as chairman of the board of WellPoint, Inc. (now Anthem, Inc.), then the largest health insurance company in the United States, chairman and chief executive officer of WellPoint Health Networks Inc. and chairman and chief executive officer of Blue Cross California and as a director of Allergan, Inc., a publicly traded specialty pharmaceutical company, from 1993 to 2011, and as a director of Amgen, Inc., a publicly traded biotechnology company, from 2004 to 2013. Mr. Schaeffer now serves on the boards of Walgreens Boots Alliance, a publicly traded pharmaceutical manufacturing, wholesale and distribution holding company. While serving in the federal government from 1978 to 1980, Mr. Schaeffer was Administrator of the Health Care Financing Administration (now CMS) and was responsible for the United States Medicare and Medicaid programs. Mr. Schaeffer was named the Judge Widney Professor and Chair at the University of Southern California in 2007 and serves on the boards of the Brookings Institution, the RAND Corporation, the University of Southern California, and on the Board of Fellows of Harvard Medical School. He is a member of the Institute of Medicine of the National Academy of Sciences. Mr. Schaeffer earned his A.B. in Economics from Princeton University. We believe that Mr. Schaeffer is qualified to serve on our board of directors because of his industry experience and his decades long track record of serving on in leadership positions on various boards.

*Jonathan Silverstein* has served as a member of our board of directors since December 2016. Mr. Silverstein is currently a general partner at OrbiMed, a healthcare investment firm, where he has worked since December 1998. Previously, Mr. Silverstein was a director of life sciences in the investment banking department at Sumitomo Bank. Mr. Silverstein serves on the board of directors of Glaukos Corporation and Ascendis Pharma A/S. Mr. Silverstein also serves on the boards of directors of several private companies. Mr. Silverstein holds a B.A. from Denison University and a J.D. and M.B.A. from the University of San Diego. We believe that Mr. Silverstein's strategic development and capital markets experience qualifies him to serve on our board of directors. Mr. Silverstein has informed us that he intends to resign from our board of directors subject to and effective upon the completion of this offering.

### **Composition of Our Board of Directors**

Our board of directors currently consists of eight members, each of whom is a member pursuant to the board composition provisions of our current certificate of incorporation and agreements with our stockholders. These board composition provisions will terminate upon the completion of this offering. Upon the termination of these provisions, there will be no further contractual obligations regarding the election of our directors. Our nominating and corporate governance committee and our board of directors may therefore consider a broad range of factors relating to the qualifications and background of nominees. Our nominating and corporate governance committee's and our board of directors' priority in selecting board members is identification of persons who will further the interests of our stockholders through their established record of professional accomplishment, the ability to contribute positively to the collaborative culture among board members, knowledge of our business, understanding of the competitive

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landscape, professional and personal experiences and expertise relevant to our growth strategy. Our directors hold office until their successors have been elected and qualified or until the earlier of their resignation or removal. Our amended and restated certificate of incorporation and amended and restated bylaws that will become effective upon the closing of this offering also provide that our directors may be removed only for cause by the affirmative vote of the holders of at least 75% of the votes that all our stockholders would be entitled to cast in an annual election of directors, and that any vacancy on our board of directors, including a vacancy resulting from an enlargement of our board of directors, may be filled only by vote of a majority of our directors then in office.

### **Director Independence**

Our board of directors has determined that all members of the board of directors, except Mr. Tucker, are independent directors, including for purposes of the rules of The NASDAQ Global Market and the Securities and Exchange Commission, or SEC. In making such independence determination, our board of directors considered the relationships that each non-employee director has with us and all other facts and circumstances that our board of directors deemed relevant in determining their independence, including the beneficial ownership of our capital stock by each non-employee director. In considering the independence of the directors listed above, our board of directors considered the association of our directors with the holders of more than 5% of our common stock. Upon the completion of this offering, we expect that the composition and functioning of our board of directors and each of our committees will comply with all applicable requirements of The NASDAQ Global Market and the rules and regulations of the SEC. There are no family relationships among any of our directors or executive officers. Mr. Tucker is not independent director under these rules because he is an executive officer of our company.

### **Staggered Board**

In accordance with the terms of our amended and restated certificate of incorporation that will become effective upon the closing of this offering and amended and restated bylaws that will become effective upon the effectiveness of the registration statement of which this prospectus is a part, our board of directors will be divided into three staggered classes of directors and each will be assigned to one of the three classes. At each annual meeting of the stockholders, a class of directors will be elected for a three-year term to succeed the directors of the same class whose terms are then expiring. The terms of the directors will expire upon the election and qualification of successor directors at the annual meeting of stockholders to be held during the years 2018 for Class I directors, 2019 for Class II directors and 2020 for Class III directors.

- Our Class I directors will be \_\_\_\_\_ ;
- Our Class II directors will be \_\_\_\_\_ ; and
- Our Class III directors will be \_\_\_\_\_ .

Our amended and restated certificate of incorporation and amended and restated bylaws that will become effective upon the closing of this offering will provide that the number of our directors shall be fixed from time to time by a resolution of the majority of our board of directors.

The division of our board of directors into three classes with staggered three-year terms may delay or prevent stockholder efforts to effect a change of our management or a change in control.

### **Board Leadership Structure and Board's Role in Risk Oversight**

Currently, we do not have a chairman of the board. In connection with this offering, we are planning to establish a role of the chairman of the board, and we plan to keep this role separated from the role of Chief Executive Officer following the completion of this offering. We believe that separating these positions will allow our Chief Executive Officer to focus on our day-to-day business, while allowing a chairman of the board to lead the board of directors in its fundamental role of providing advice to and independent oversight of management. Our board of directors recognizes the time, effort and energy that the Chief Executive Officer is required to devote to his position in the current business environment, as well as the commitment required to serve as our chairman, particularly as the board of directors' oversight responsibilities continue to grow. While our amended and restated by-laws and corporate governance guidelines do not require that our chairman and Chief Executive Officer positions be separate, our board of directors believes that having separate positions will be the appropriate leadership structure for us following the completion of this offering and demonstrates our commitment to good corporate governance.



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Risk is inherent with every business, and how well a business manages risk can ultimately determine its success. We face a number of risks, including risks relating to our financial condition, development and commercialization activities, operations, strategic direction and intellectual property as more fully discussed in the section entitled "Risk Factors" appearing elsewhere in this prospectus. Management is responsible for the day-to-day management of risks we face, while our board of directors, as a whole and through its committees, has responsibility for the oversight of risk management. In its risk oversight role, our board of directors has the responsibility to satisfy itself that the risk management processes designed and implemented by management are adequate and functioning as designed.

The role of the board of directors in overseeing the management of our risks is conducted primarily through committees of the board of directors, as disclosed in the descriptions of each of the committees below and in the charters of each of the committees. The full board of directors (or the appropriate board committee in the case of risks that are under the purview of a particular committee) discusses with management our major risk exposures, their potential impact on us, and the steps we take to manage them. When a board committee is responsible for evaluating and overseeing the management of a particular risk or risks, the chairman of the relevant committee reports on the discussion to the full board of directors during the committee reports portion of the next board meeting. This enables the board of directors and its committees to coordinate the risk oversight role, particularly with respect to risk interrelationships.

### **Committees of Our Board of Directors**

Our board of directors has established an audit committee, a compensation committee and a nominating and corporate governance committee, each of which will operate pursuant to a charter to be adopted by our board of directors and will be effective upon the effectiveness of the registration statement of which this prospectus is a part. Upon the effectiveness of the registration statement of which this prospectus is a part, the composition and functioning of all of our committees will comply with all applicable requirements of the Sarbanes-Oxley Act of 2002, NASDAQ and SEC rules and regulations.

#### **Audit Committee**

\_\_\_\_\_ will serve on the audit committee, which will be chaired by \_\_\_\_\_. Our board of directors has determined that \_\_\_\_\_ are "independent" for audit committee purposes as that term is defined in the rules of the SEC and the applicable NASDAQ rules, and each has sufficient knowledge in financial and auditing matters to serve on the audit committee. Our board of directors has designated \_\_\_\_\_ as an "audit committee financial expert," as defined under the applicable rules of the SEC. The audit committee's responsibilities include:

- appointing, approving the compensation of, and assessing the independence of our independent registered public accounting firm;
- pre-approving auditing and permissible non-audit services, and the terms of such services, to be provided by our independent registered public accounting firm;
- reviewing the overall audit plan with our independent registered public accounting firm and members of management responsible for preparing our financial statements;
- reviewing and discussing with management and our independent registered public accounting firm our annual and quarterly financial statements and related disclosures as well as critical accounting policies and practices used by us;
- coordinating the oversight and reviewing the adequacy of our internal control over financial reporting;
- establishing policies and procedures for the receipt and retention of accounting-related complaints and concerns;
- recommending based upon the audit committee's review and discussions with management and our independent registered public accounting firm whether our audited financial statements shall be included in our Annual Report on Form 10-K;
- monitoring the integrity of our financial statements and our compliance with legal and regulatory requirements as they relate to our financial statements and accounting matters;
- preparing the audit committee report required by SEC rules to be included in our annual proxy statement;

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- reviewing all related person transactions for potential conflict of interest situations and approving all such transactions; and
- reviewing quarterly earnings releases.

### **Compensation Committee**

will serve on the compensation committee, which will be chaired by . Our board of directors has determined that each member of the compensation committee is "independent" as defined in the applicable NASDAQ rules. The compensation committee's responsibilities include:

- annually reviewing and recommending to the board of directors the corporate goals and objectives relevant to the compensation of our Chief Executive Officer;
- evaluating the performance of our Chief Executive Officer in light of such corporate goals and objectives and based on such evaluation (i) recommending to the board of directors the cash compensation of our Chief Executive Officer and (ii) reviewing and approving grants and awards to our Chief Executive Officer under equity-based plans;
- reviewing and approving the cash compensation of our other executive officers;
- reviewing and establishing our overall management compensation, philosophy and policy;
- overseeing and administering our compensation and similar plans;
- evaluating and assessing potential and current compensation advisors in accordance with the independence standards identified in the applicable NASDAQ rules;
- reviewing and approving our policies and procedures for the grant of equity-based awards;
- reviewing and recommending to the board of directors the compensation of our directors;
- preparing our compensation committee report if and when required by SEC rules;
- reviewing and discussing annually with management our "Compensation Discussion and Analysis," if and when required, to be included in our annual proxy statement; and
- reviewing and approving the retention or termination of any consulting firm or outside advisor to assist in the evaluation of compensation matters.

### **Nominating and Corporate Governance Committee**

will serve on the nominating and corporate governance committee, which will be chaired by . Our board of directors has determined that each member of the nominating and corporate governance committee is "independent" as defined in the applicable NASDAQ rules. The nominating and corporate governance committee's responsibilities include:

- developing and recommending to the board of directors criteria for board and committee membership;
- establishing procedures for identifying and evaluating board of director candidates, including nominees recommended by stockholders;
- reviewing the composition of the board of directors to ensure that it is composed of members containing the appropriate skills and expertise to advise us;
- identifying individuals qualified to become members of the board of directors;
- recommending to the board of directors the persons to be nominated for election as directors and to each of the board's committees;
- developing and recommending to the board of directors a code of business conduct and ethics and a set of corporate governance guidelines; and
- overseeing the evaluation of our board of directors and management.

Our board of directors may from time to time establish other committees.

### **Compensation Committee Interlocks and Insider Participation**

None of the members of our compensation committee has at any time during the prior three years been one of our officers or employees. None of our executive officers currently serves, or in the past fiscal year has served, as a member of the board of directors or compensation committee of any entity that has one or more executive officers serving on our board of directors or compensation committee.

**Corporate Governance**

Prior to the effectiveness of the registration statement of which this prospectus is a part, we will adopt a written code of business conduct and ethics that applies to our directors, officers and employees, including our principal executive officer, principal financial officer, principal accounting officer or controller, or persons performing similar functions. Following the effectiveness of the registration statement of which this prospectus is a part, a current copy of the code will be posted on the investor relations section of our website, which is located at [www.scpharmaceuticals.com](http://www.scpharmaceuticals.com). If we make any substantive amendments to, or grant any waivers from, the code of business conduct and ethics for any officer or director, we will disclose the nature of such amendment or waiver on our website or in a current report on Form 8-K.

## EXECUTIVE COMPENSATION

### Executive Compensation Overview

As an emerging growth company, we have opted to comply with the executive compensation disclosure rules applicable to “smaller reporting companies,” as such term is defined in the rules promulgated under the Securities Act. This section provides an overview of the compensation awarded to, earned by, or paid to our principal executive officer for fiscal year 2016, and our next two most highly compensated executive officers in respect of their service to our company for our fiscal year ended December 31, 2016. We refer to these individuals as our 2016 named executive officers. Our 2016 named executive officers are:

- Pieter Muntendam, M.D., our President and Chief Executive Officer as of December 31, 2016;
- Abraham Ceesay, our Chief Operating Officer; and
- Troy Ignelzi, our Chief Financial Officer.

John Tucker replaced Dr. Muntendam as our President and Chief Executive Officer on January 30, 2017.

Our executive compensation program is based on a pay for performance philosophy. Compensation for our executive officers is composed primarily of the following main components: base salary; bonus; and equity incentives in the form of options. Our executive officers, like all full-time employees, are eligible to participate in our health and welfare benefit plans. As we transition from a private company to a publicly traded company, we intend to evaluate our compensation values and philosophy and compensation plans and arrangements as circumstances require.

### 2016 Summary Compensation Table

The following table sets forth information regarding compensation awarded to, earned by, or paid to our 2016 named executive officers for services rendered to us in all capacities during the fiscal year ended December 31, 2016.

NAME AND PRINCIPAL POSITION	YEAR	SALARY	BONUS	OPTION AWARDS	ALL OTHER COMPENSATION	TOTAL
		(\$)	(\$) <sup>(1)</sup>	(\$) <sup>(2)</sup>	(\$) <sup>(3)</sup>	(\$)
Pieter Muntendam, M.D., <i>Former President and Chief Executive Officer</i> (4)	2016	371,935	—	931,192	10,130	1,313,257
Abraham Ceesay, <i>Chief Operating Officer</i> (5)	2016	291,723	100,000	535,383	—	927,106
Troy Ignelzi, <i>Chief Financial Officer</i> (6)	2016	255,758	—	401,942	71,077	728,777

- (1) The amount included for Mr. Ceesay reflects a signing bonus he received in connection with the start of his employment with us. The signing bonus was paid in two equal installments, with the first installment paid 90 days following his start date, and the final installment paid 180 days following his start date.
- (2) Amounts reflect the grant date fair value of option awards granted or modified in 2016 in accordance with the Financial Accounting Standards Board’s Accounting Standards Codification Topic 718, or ASC 718. Such grant date fair value does not take into account any estimated forfeitures related to service-vesting conditions. For information regarding assumptions underlying the valuation of equity awards, see Note 2 to our financial statements and the discussion under “Management’s Discussion and Analysis of Financial Condition and Results of Operations—Critical Accounting Policies and Estimates—Stock-based Compensation Expense” included elsewhere in this prospectus. These amounts do not correspond to the actual value that may be recognized by the 2016 named executive officers upon vesting of applicable awards.
- (3) Represents for Dr. Muntendam, company matching contributions under our 401(k) plan equal to \$10,130. Represents for Mr. Ignelzi, company matching contributions under our 401(k) plan equal to \$8,400 and reimbursement for commuting expenses related to travel between Mr. Ignelzi’s home office and our headquarters in Massachusetts equal to \$37,927 in 2016. Also included for Mr. Ignelzi are amounts paid to him pursuant to a consulting agreement with us, dated February 4, 2016, equal to \$24,750 for consultant services to us prior to the start of his employment with us.
- (4) On February 3, 2017, Dr. Muntendam entered into a Separation Agreement and a Consulting Agreement with us, pursuant to which Dr. Muntendam transitioned from his role as President and Chief Executive Officer to a consultant to our company.
- (5) Mr. Ceesay commenced his employment with us in March 2016.
- (6) Mr. Ignelzi commenced his employment with us in March 2016.

## **Narrative to the 2016 Summary Compensation Table**

### **Base Salary**

We use base salaries to recognize the experience, skills, knowledge and responsibilities required of all our employees, including our 2016 named executive officers. Base salaries are reviewed annually, typically in connection with our annual performance review process, and adjusted from time to time to realign salaries with market levels after taking into account individual responsibilities, performance and experience. None of our 2016 named executive officers is currently party to an employment agreement or other agreement or arrangement that provides for automatic or scheduled increases in base salary.

### **Annual Bonus**

We do not have a formal performance-based bonus plan. Our employment agreements with our 2016 named executive officers provide that the executive may be eligible to earn an annual performance bonus of up to a target percentage of the executive's base salary, as described further below under the section entitled "—Employment Arrangements and Severance Agreements with our Chief Executive Officer and our 2016 Named Executive Officers". From time to time, our board of directors or compensation committee may approve annual bonuses for our named executive officers based on individual performance, company performance or as otherwise determined appropriate. Our board of directors determined that no annual bonuses would be made to our 2016 named executive officers in 2016.

### **Equity Compensation**

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

We typically grant stock option awards at the start of employment to each executive and our other employees. We award our stock options on the date our board of directors approves the grant. We set the option exercise price and grant date fair value based on our per-share estimated valuation on the date of grant. For grants in connection with initial employment, vesting begins on the initial date of employment. To date, we have not maintained a practice of granting additional equity on an annual basis, but we have retained discretion to provide additional targeted grants in certain circumstances.

### **Employment Arrangements and Severance Agreements with our Chief Executive Officer and our 2016 Named Executive Officers**

We have entered into employment agreements with each of our 2016 named executive officers and Mr. Tucker, our current President and Chief Executive Officer. These agreements set forth the initial terms and conditions of each executive's employment with us, including base salary, target annual bonus opportunity and standard employee benefit plan participation. In connection with this offering, we intend to enter into an amended and restated employment agreement with each of Messrs. Ceesay and Ignelzi. We also intend to enter into an amended and restated employment agreement with John Tucker, our President and Chief Executive Officer.

These employment agreements provide for "at will" employment. The material terms of these employment agreements with our 2016 named executive officers and Mr. Tucker, our current President and Chief Executive Officer, are described below. The term "cause" referred to below is defined in each employment agreement and the term "change in control transaction" is defined in the 2014 Stock Incentive Plan, or the 2014 Plan. The term "good reason" is defined in Mr. Tucker's employment agreement and for Messrs. Ceesay and Ignelzi in the 2014 Plan.

#### **John Tucker**

We entered into an employment agreement with Mr. John Tucker, our President and Chief Executive Officer, on January 16, 2017, and entered into an amended and restated employment agreement with Mr. Tucker on January 24, 2017. Under the terms of the amended and restated employment agreement, Mr. Tucker is entitled to

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receive an annual base salary of \$400,000 and an annual target bonus of 45% of his annual base salary based upon our board of directors' assessment of Mr. Tucker's performance and our attainment of targeted goals as set by the board of directors in its sole discretion. Pursuant to his amended and restated employment agreement, Mr. Tucker also entered into a confidentiality, inventions assignment, non-competition and non-solicitation agreement with us, pursuant to which Mr. Tucker has agreed to refrain from disclosing our confidential information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for twelve months following termination of his employment. Mr. Tucker's amended and restated employment agreement provides that, in the event that his employment is terminated by us without "cause," subject to the execution and effectiveness of a separation agreement and release, he will be entitled to receive (i) an amount equal to twelve (12) months of base salary, payable on our normal payroll cycle, and (ii) reimbursement of COBRA premiums for health benefit coverage for him and his immediate family in an amount equal to the monthly employer contribution that we would have made to provide health insurance to Mr. Tucker had he remained employed with us for up to twelve (12) months following termination.

Pursuant to his amended and restated employment agreement, Mr. Tucker received a stock option award to purchase shares of our common stock equal to approximately 4% (3,566,222) of our capital stock on a fully-diluted basis on the date of grant. The option is scheduled to vest as to 25% on the first anniversary of the vesting start date and, as to the remainder, in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Tucker's continued service. In the event of a "change in control transaction" during such continued service, 50% of the unvested shares subject to the option shall accelerate and vest immediately. If within 12 months following a change in control transaction, Mr. Tucker is terminated by us without "cause" or resigns for "good reason," 100% of the unvested shares subject to the option will accelerate and vest immediately.

### **Abraham Ceesay**

We entered into an employment agreement with Mr. Abraham Ceesay, Chief Operating Officer, on February 17, 2016. Under the terms of the agreement, Mr. Ceesay is entitled to receive an annual base salary of \$365,000 and an annual target bonus of 40% of his annual base salary based upon our board of directors' assessment of Mr. Ceesay's performance and our attainment of targeted goals as set by the board of directors in its sole discretion. Pursuant to his agreement, Mr. Ceesay also entered into a confidentiality, inventions assignment, non-competition and non-solicitation agreement with us, pursuant to which Mr. Ceesay has agreed to refrain from disclosing our confidential information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for twelve months following termination of his employment. Mr. Ceesay's employment agreement provides that, in the event that his employment is terminated by us without "cause," subject to the execution and effectiveness of a separation agreement and release, he will be entitled to receive (i) an amount equal to twelve (12) months of base salary, payable on our normal payroll cycle, and (ii) reimbursement of COBRA premiums for health benefit coverage for him and his immediate family in an amount equal to the monthly employer contribution that we would have made to provide health insurance to Mr. Ceesay had he remained employed with us for up to twelve (12) months following termination.

Pursuant to his employment agreement, Mr. Ceesay received a stock option award to purchase 600,000 shares of our common stock. The option is scheduled to vest as to 25% on the first anniversary of the vesting start date and, as to the remainder, in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Ceesay's continued service. In the event of a "change in control transaction" during such continued service, 50% of the unvested shares subject to the option shall accelerate and vest immediately. If within 12 months following a change in control transaction, Mr. Ceesay is terminated by us without "cause" or resigns for "good reason," 100% of the unvested shares subject to the option will accelerate and vest immediately.

### **Troy Ignelzi**

We entered into an employment agreement with Mr. Troy Ignelzi, Chief Financial Officer, on March 10, 2016. Under the terms of the agreement, Mr. Ignelzi is entitled to receive an annual base salary of \$320,000 and an annual target bonus of 35% of his annual base salary based upon our board of directors' assessment of Mr. Ignelzi's performance and our attainment of targeted goals as set by the board of directors in their sole discretion. Pursuant to his agreement, Mr. Ignelzi also entered into a confidentiality, inventions assignment, non-competition and non-solicitation agreement with us, pursuant to which Mr. Ignelzi has agreed to refrain from disclosing our confidential

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information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for twelve months following termination of his employment.

Pursuant to Mr. Ignelzi's employment agreement, Mr. Ignelzi is entitled to monthly commuting expenses from Michigan to Massachusetts of approximately \$4,000 per month. Mr. Ignelzi is also entitled to a one-time relocation payment of \$30,000 in connection with the relocation of his primary residence from Michigan to Massachusetts.

Mr. Ignelzi's employment agreement provides that, in the event that his employment is terminated by us without "cause," subject to the execution and effectiveness of a separation agreement and release, he will be entitled to receive (i) an amount equal to six (6) months of base salary, payable on our normal payroll cycle, and (ii) reimbursement of COBRA premiums for health benefit coverage for him and his immediate family in an amount equal to the monthly employer contribution that we would have made to provide health insurance to Mr. Ignelzi had he remained employed with us for up to six (6) months following termination.

Pursuant to his employment agreement, Mr. Ignelzi received a stock option award to purchase 450,000 shares of our common stock. The option is scheduled to vest as to 25% on the first anniversary of the vesting start date and, as to the remainder, in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Ignelzi's continued service. In the event of a "change in control transaction" during such continued service, 50% of the unvested shares subject to the option shall accelerate and vest immediately. If within 12 months following a change in control transaction, Mr. Ignelzi is terminated by us without "cause," or resigns for "good reason," 100% of the unvested shares subject to the option will accelerate and vest immediately.

### ***Pieter Muntendam, M.D.***

We entered into an employment agreement with Dr. Pieter Muntendam, our former President & Chief Executive Officer, on March 24, 2014. Under the terms of the agreement, Dr. Muntendam was entitled to receive an annual base salary of \$315,000 and an annual bonus based upon our board of directors' assessment of Dr. Muntendam's performance and our attainment of targeted goals as set by the board of directors in its sole discretion. Dr. Muntendam's salary was increased to \$383,250 effective March 14, 2016. Pursuant to his agreement, Dr. Muntendam also entered into a confidentiality, inventions assignment, non-competition and non-solicitation agreement with us, pursuant to which Dr. Muntendam has agreed to refrain from disclosing our confidential information during or at any time following his employment with us and from competing with us or soliciting our employees or customers during his employment and for twelve months following termination of his employment.

Dr. Muntendam's employment agreement provided that, in the event that his employment is terminated by us without "cause", he will be entitled to receive (i) an amount equal to six (6) months of base salary, payable on our normal payroll cycle, and (ii) reimbursement of COBRA premiums for health benefit coverage for him and his immediate family in an amount equal to the monthly employer contribution that we would have made to provide health insurance to Dr. Muntendam had he remained employed with us for up to six (6) months following termination.

Dr. Muntendam entered into a separation agreement with us on February 3, 2017, which supersedes the employment agreement described above and provides for his termination as our President and Chief Executive Officer effective February 3, 2017. Pursuant to the separation agreement, Dr. Muntendam is entitled to continuation of his base salary for the six months following his termination and payment of his 2016 annual bonus. Pursuant to the separation agreement, all unvested stock options held by Dr. Muntendam as of his termination date ceased vesting immediately.

Dr. Muntendam also entered into a consulting agreement with us on February 3, 2017, pursuant to which he provides ongoing consulting services to us until either party elects to terminate the relationship.

## Outstanding Equity Awards at 2016 Fiscal Year-End

The following table sets forth information concerning outstanding equity awards held by our 2016 named executive officers as of December 31, 2016. All equity awards set forth in the table below were granted under our 2014 Plan.

NAME	OPTION AWARDS			
	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) EXERCISABLE (1)	NUMBER OF SECURITIES UNDERLYING UNEXERCISED OPTIONS (#) UNEXERCISABLE	OPTION EXERCISE PRICE (\$)	OPTION EXPIRATION DATE
Pieter Muntendam, M.D.	650,000 (2)	—	1.23	5/31/2026
Abraham Ceesay	600,000 (3)	—	1.23	3/16/2026
Troy Ignelzi	450,000 (4)	—	1.23	3/16/2026

- (1) Options are exercisable immediately on the grant date. In order to preserve the vesting provisions of the options, the shares of our common stock underlying options that are exercised early are subject to a repurchase right by us at the lower of exercise price or fair market value of the underlying stock at the date of repurchase.
- (2) On May 31, 2016, Dr. Muntendam was awarded an option to purchase 650,000 shares of our common stock under our 2014 Plan. The shares underlying this option vest as follows: 130,000 of the shares subject to the option vest on December 24, 2017, of the remaining shares, an additional 13,333 shares vest on the 24th day of each month thereafter through February 24, 2021 and the remaining 13,346 shares vest on March 24, 2021, subject to Dr. Muntendam's continued service. Pursuant to the terms of his separation agreement, all unvested stock options held by Dr. Muntendam as of his termination date ceased vesting immediately.
- (3) On March 16, 2016, Mr. Ceesay was awarded an option to purchase 600,000 shares of our common stock under our 2014 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vest on March 14, 2017 (the first anniversary of Mr. Ceesay's commencement of employment) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Ceesay's continued service. In the event of a change in control transaction during such continued service, 50% of the unvested shares subject to the option shall accelerate and vest immediately. If within 12 months following a change in control transaction, Mr. Ceesay is terminated by us without cause or resigns for good reason, 100% of the unvested shares subject to the option will accelerate and vest immediately.
- (4) On March 16, 2016, Mr. Ignelzi was awarded an option to purchase 450,000 shares of our common stock under our 2014 Plan. The shares underlying this option vest as follows: 25% of the shares subject to the option vest on March 14, 2017 (the first anniversary of Mr. Ignelzi's commencement of employment) and the remaining shares vest in 36 equal monthly installments on the first day of each month thereafter, subject to Mr. Ignelzi's continued service. In the event of a change in control transaction during such continued service, 50% of the unvested shares subject to the option shall accelerate and vest immediately. If within 12 months following a change in control transaction, Mr. Ignelzi is terminated by us without cause, or resigns for good reason, 100% of the unvested shares subject to the option will accelerate and vest immediately.

## Compensation Risk Assessment

We believe that although a portion of the compensation provided to our executive officers and other employees is performance-based, our executive compensation program does not encourage excessive or unnecessary risk taking. This is primarily due to the fact that our compensation programs are designed to encourage our executive officers and other employees to remain focused on both short-term and long-term strategic goals. As a result, we do not believe that our compensation programs are reasonably likely to have a material adverse effect on us.

## Employee Benefit and Equity Compensation Plans

### 2014 Stock Incentive Plan

Our 2014 Plan was approved by our board of directors and our stockholders on March 24, 2014. The 2014 Plan was most recently amended in March 2017 with the approval of both our board of directors and our stockholders. Under the 2014 Plan, we have reserved for issuance an aggregate of 9,070,046 shares of our common stock. The number of shares of common stock reserved for issuance is subject to adjustment in the event of any merger, consolidation, sale of all or substantially all of our assets, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction.

The shares of common stock underlying awards that expire or are terminated, surrendered or canceled without having been fully exercised or are forfeited or repurchased or result in shares of common stock not being issued under the



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2014 Plan are added back to the shares of common stock available for issuance under the 2014 Plan. In addition, shares of common stock tendered to us by a participant to exercise an award are added back to the shares available for grant under the 2014 Plan.

Our board of directors has acted as administrator of the 2014 Plan. The administrator has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, and to determine the specific terms and conditions of each award, subject to the provisions of the 2014 Plan. Persons eligible to participate in the 2014 Plan are those employees, officers and directors of, and consultants and advisors to, our company as selected from time to time by the administrator in its discretion.

The 2014 Plan permits the granting of (1) options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, or the Code and (2) options that do not so qualify. The per share option exercise price of each option will be determined by the administrator but may not be less than 100% of the fair market value of the common stock on the date of grant. The term of each option will be fixed by the administrator. The administrator will determine at what time or times each option may be exercised. In addition, the 2014 Plan permits the granting of restricted shares of common stock.

The 2014 Plan provides that upon the occurrence of a "change in control transaction," as defined in the 2014 Plan, our board of directors may take one or more of the following actions as to some or all awards outstanding under the 2014 Plan: (i) provide that outstanding options awards will be assumed or substituted by the acquiring or successor corporation, (ii) upon written notice to the optionees, provide that all unexercised options will terminate immediately prior to the consummation of the change in control transaction unless exercised by the optionee (to the extent exercisable) within a specified period following the date of such notice, (iii) upon written notice to the grantees, provide that all unvested shares of Restricted Stock shall be repurchased at cost, (iv) make or provide for a cash payment to the optionees equal to the difference between the per share cash consideration in the change in control transaction and the per share exercise price of the outstanding award, or (v) provide that all or any outstanding Options shall become exercisable and all or any outstanding Restricted Stock Awards shall vest in part or in full immediately prior to such event. To the extent that any Options are exercisable at a price equal to or in excess of the per share price payable in such change in control transaction, our board of directors may provide that such Options shall terminate immediately upon the consummation of the change in control transaction without any payment being made to the holders of such options.

The administrator may amend, suspend or terminate the 2014 Plan at any time, subject to stockholder approval where such approval is required by applicable law. The administrator of the 2014 Plan may also amend, modify or terminate any outstanding award, provided that no amendment to an award may adversely affect a participant's rights without his or her consent.

The 2014 Plan will terminate automatically upon the earlier of 10 years from the date on which the 2014 Plan was adopted by our board of directors or action of board to terminate the 2014 Plan. As of June 30, 2017, options to purchase 7,557,601 shares of common stock were outstanding under the 2014 Plan. Our board of directors has determined not to make any further awards under the 2014 Plan following the closing of this offering.

### **2017 Stock Option and Incentive Plan**

Our 2017 Stock Option and Incentive Plan, or the 2017 Plan, was adopted by our board of directors on \_\_\_\_\_, 2017 and approved by our stockholders on \_\_\_\_\_, 2017 and will become effective upon the effectiveness of the registration statement of which this prospectus is part. The 2017 Plan will replace the 2014 Plan as our board of directors has determined not to make additional awards under the 2014 Plan following the closing of our initial public offering. The 2017 Plan allows the compensation committee to make equity-based and cash-based incentive awards to our officers, employees, directors and other key persons (including consultants).

We have initially reserved \_\_\_\_\_ shares of our common stock, or the Initial Limit, for the issuance of awards under the 2017 Plan, plus the shares of common stock remaining available for issuance under our 2014 Plan. The 2017 Plan provides that the number of shares reserved and available for issuance under the plan will automatically increase each January 1, beginning on January 1, 2018, by \_\_\_\_\_ % of the outstanding number of shares of our common stock on the immediately preceding December 31, or such lesser number of shares as determined by our

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compensation committee, or the Annual Increase. This number is subject to adjustment in the event of a stock split, stock dividend or other change in our capitalization.

The shares we issue under the 2017 Plan will be authorized but unissued shares or shares that we reacquire. The shares of common stock underlying any awards that are forfeited, cancelled, held back upon exercise or settlement of an award to satisfy the exercise price or tax withholding, reacquired by us prior to vesting, satisfied without any issuance of stock, expire or are otherwise terminated (other than by exercise) under the 2017 Plan and the 2014 Plan will be added back to the shares of common stock available for issuance under the 2017 Plan.

Stock options and stock appreciation rights with respect to no more than \_\_\_\_\_ shares of stock may be granted to any one individual in any one calendar year. The maximum aggregate number of shares that may be issued in the form of incentive stock options shall not exceed the Initial Limit cumulatively increased on January 1, 2018 and on each January 1 thereafter by the lesser of the Annual Increase for such year or \_\_\_\_\_ shares of common stock.

The 2017 Plan will be administered by our compensation committee. Our compensation committee has full power to select, from among the individuals eligible for awards, the individuals to whom awards will be granted, to make any combination of awards to participants, and to determine the specific terms and conditions of each award, subject to the provisions of the 2017 Plan. Persons eligible to participate in the 2017 Plan will be those full or part-time officers, employees, non-employee directors and other key persons (including consultants) as selected from time to time by our compensation committee in its discretion.

The 2017 Plan permits the granting of both options to purchase common stock intended to qualify as incentive stock options under Section 422 of the Code, and options that do not so qualify. The option exercise price of each option will be determined by our compensation committee but may not be less than 100% of the fair market value of our common stock on the date of grant. The term of each option will be fixed by our compensation committee and may not exceed 10 years from the date of grant. Our compensation committee will determine at what time or times each option may be exercised.

Our compensation committee may award stock appreciation rights subject to such conditions and restrictions as it may determine. Stock appreciation rights entitle the recipient to shares of common stock, or cash, equal to the value of the appreciation in our stock price over the exercise price. The exercise price of each stock appreciation right may not be less than 100% of the fair market value of the common stock on the date of grant.

Our compensation committee may award restricted shares of common stock and restricted stock units to participants subject to such conditions and restrictions as it may determine. These conditions and restrictions may include the achievement of certain performance goals and/or continued employment with us through a specified vesting period. Our compensation committee may also grant shares of common stock that are free from any restrictions under the 2017 Plan. Unrestricted stock may be granted to participants in recognition of past services or other valid consideration and may be issued in lieu of cash compensation due to such participant. Our compensation committee may grant cash bonuses under the 2017 Plan to participants, subject to the achievement of certain performance goals.

Our compensation committee may grant awards of restricted stock, restricted stock units or stock- or cash-based awards under the 2017 Plan that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code. Those awards would only vest or become payable upon the attainment of performance goals that are established by our compensation committee and related to one or more performance criteria. The performance criteria that would be used with respect to any such awards include: achievement of specified research and development, publication, clinical and/or regulatory milestones, earnings before interest, taxes, depreciation and amortization, net income (loss) (either before or after interest, taxes, depreciation and/or amortization), changes in the market price of our common stock, economic value added, funds from operations or similar measures, sales or revenue, acquisitions or strategic transactions, operating income (loss), cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, assets, equity, or investment, stockholder returns, return on sales, gross or net profit levels, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings (loss) per share of stock, sales or market shares and number of customers, any of which may be measured either in absolute terms or as compared to any incremental increase or as compared to results of a

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peer group. From and after the time that we become subject to Section 162(m) of the Code, the maximum award that is intended to qualify as “performance-based compensation” under Section 162(m) of the Code that may be made to any one employee during any one calendar year is

shares of common stock with respect to a stock-based award and \$	with respect to a cash-based award.
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The 2017 Plan provides that in the case of, and subject to, the consummation of a “sale event” as defined in the 2017 Plan, all outstanding awards may be assumed, substituted or otherwise continued by the successor entity. To the extent that the successor entity does not assume, substitute or otherwise continue such awards, then (i) all stock options and stock appreciation rights will automatically become fully exercisable and the restrictions and conditions on all other awards with time-based conditions will automatically be deemed waived, and awards with conditions and restrictions relating to the attainment of performance goals may become vested and non-forfeitable in connection with a sale event in the compensation committee’s discretion and (ii) upon the effectiveness of the sale event, the 2017 Plan and all awards will automatically terminate. In the event of such termination, (i) individuals holding options and stock appreciation rights will be permitted to exercise such options and stock appreciation rights (to the extent exercisable) prior to the sale event; or (ii) we may make or provide for a cash payment to participants holding options and stock appreciation rights equal to the difference between the per share cash consideration payable to stockholders in the sale event and the exercise price of the options or stock appreciation rights (to the extent then exercisable).

Our board of directors may amend or discontinue the 2017 Plan and our compensation committee may amend the exercise price of options and amend or cancel outstanding awards for purposes of satisfying changes in law or any other lawful purpose but no such action may adversely affect rights under an award without the holder’s consent. Certain amendments to the 2017 Plan require the approval of our stockholders. No awards may be granted under the 2017 Plan after the date that is 10 years from the date of stockholder approval. No awards under the 2017 Plan have been made prior to the date of this prospectus.

### **Senior Executive Cash Incentive Bonus Plan**

In 2017, our board of directors adopted the Senior Executive Cash Incentive Bonus Plan, or the Bonus Plan. The Bonus Plan provides for cash bonus payments based upon the attainment of performance targets established by our compensation committee. The payment targets will be related to financial and operational measures or objectives with respect to our company, or corporate performance goals, as well as individual performance objectives.

Our compensation committee may select corporate performance goals from among the following: achievement of specified research and development, publication, clinical and/or regulatory milestones, adjusted billings, earnings before interest, taxes, depreciation and amortization, net income (loss) (either before or after interest, taxes, depreciation and/or amortization), changes in the market price of our common stock, economic value-added, funds from operations or similar measure, sales or revenue, acquisitions or strategic transactions, operating income (loss), cash flow (including, but not limited to, operating cash flow and free cash flow), return on capital, assets, equity, or investment, stockholder returns, return on sales, gross or net profit levels, productivity, expense, margins, operating efficiency, customer satisfaction, working capital, earnings (loss) per share of stock, sales or market shares and number of customers, any of which may be measured in absolute terms, as compared to any incremental increase, in terms of growth, or as compared to results of a peer group.

Each executive officer who is selected to participate in the Bonus Plan will have a target bonus opportunity set for each performance period. The bonus formulas will be adopted in each performance period by the compensation committee and communicated to each executive. The corporate performance goals will be measured at the end of each performance period after our financial reports have been published or such other appropriate time as the compensation committee determines. If the corporate performance goals and individual performance objectives are met, payments will be made as soon as practicable following the end of each performance period. Subject to the rights contained in any agreement between the executive officer and us, an executive officer must be employed by us on the bonus payment date to be eligible to receive a bonus payment. The Bonus Plan also permits the compensation committee to approve additional bonuses to executive officers in its sole discretion and provides the compensation committee with discretion to adjust the size of the award as it deems appropriate to account for unforeseen factors beyond management’s control that affected corporate performance.

**401(k) Plan**

We maintain the scPharmaceuticals 401(k) Plan, a tax-qualified retirement plan for our employees. The 401(k) plan is intended to qualify under Section 401(k) of the Code, so that contributions to the 401(k) plan by employees or by us, and the investment earnings thereon, are not taxable to the employees until withdrawn from the 401(k) plan, and so that contributions by us, if any, will be deductible by us when made. All employees are eligible to participate in the 401(k) plan as of the first day of the first full month of their employment. Participants have the option to make two kinds of Elective Deferral Contributions: Pre-Tax Elective Deferrals and Roth Elective Deferrals. Any initial election or change of election by an eligible employee may be made at any time. We make a matching contribution equal to 100% on the first 3% of compensation deferred as an Elective Deferral and an additional 50% on the next 2% of compensation deferred as an Elective Deferral. Participants are always 100% vested in their contributions and any matching contribution made by us.

## DIRECTOR COMPENSATION

The following table presents the total compensation for each person who served as a non-employee member of our board of directors and received compensation for such service during the fiscal year ended December 31, 2016. Other than as set forth in the table and described more fully below, we did not pay any compensation, make any equity awards or non-equity awards to, or pay any other compensation to any of the non-employee members of our board of directors in 2016. We reimburse non-employee members of our board of directors for reasonable travel expenses. Dr. Muntendam, our former President and Chief Executive Officer as of December 31, 2016, did not receive any compensation for his service as a member of our board of directors during 2015 or 2016. Dr. Muntendam's compensation for service as an employee for fiscal year 2016 is presented in "Executive Compensation – 2016 Summary Compensation Table." In addition, John Tucker, our current President and Chief Executive Officer does not receive any compensation for his service as a member of our board of directors.

NAME	FEES EARNED OR PAID IN CASH (\$)	OPTION AWARDS (\$)	TOTAL (\$)
Mette Kirstine Agger (1)	—	—	—
Dorothy Coleman (2)	11,000	—	11,000
Abhay Gandhi (1)	—	—	—
Jack A. Khattar (2)(3)	5,000	46,387(4)	51,387
Kush M. Parmar M.D., Ph.D. (1)	—	—	—
Leonard D. Schaeffer (2)	11,000	—	11,000
Jonathan Silverstein (1)	—	—	—

(1) Investor-appointed directors did not receive fees or other compensation for their service on our board of directors.

(2) Non-investor appointed directors, other than Mr. Tucker, received \$2,000 per in-person board meeting and \$500 per telephonic board meeting.

(3) Mr. Khattar joined our board of directors on June 29, 2016.

(4) As of December 31, 2016, Mr. Khattar held an option to purchase 50,000 shares of our common stock, none of which were vested as of such date.

### Non-Employee Director Compensation Policy

Our board of directors expects to adopt a non-employee director compensation policy, effective upon effectiveness of the registration statement of which this prospectus forms a part, that is designed to enable us to attract and retain, on a long-term basis, highly qualified non-employee directors. Under the policy, each director who is not an employee will be paid cash compensation from and after the completion of this offering, as set forth below:

	MEMBER ANNUAL FEE (\$)	CHAIRMAN ADDITIONAL ANNUAL FEE (\$)
Board of Directors		
Audit Committee		
Compensation Committee		
Nominating and Corporate Governance Committee		

In addition, each non-employee director serving on our board of directors upon completion of this offering and each non-employee director elected or appointed to our board of directors following the completing of this offering will be granted \_\_\_\_\_ on the date of such director's election or appointment to the board of directors, which will vest in the following manner, subject to continued service through such vesting date(s): \_\_\_\_\_. On the date of each annual meeting of stockholders of our company, each non-employee director will be granted \_\_\_\_\_, which will vest in the following manner, subject to continued service as a director through such vesting date(s): \_\_\_\_\_.

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

Other than the compensation agreements and other arrangements described under “Executive Compensation” and “Director Compensation” in this prospectus and the transactions described below, since January 1, 2014, there has not been and there is not currently proposed, any transaction or series of similar transactions to which we were, or will be, a party in which the amount involved exceeded, or will exceed, \$120,000 and in which any director, executive officer, holder of five percent or more of any class of our capital stock or any member of the immediate family of, or entities affiliated with, any of the foregoing persons, had, or will have, a direct or indirect material interest.

**Private Placements of Securities****Series A Preferred Stock Financing**

In March 2014, with subsequent closings in October 2014 and April 2015, we sold an aggregate of 17,565,679 shares of our Series A preferred stock at a purchase price of \$1.00 per share. Certain investors (or such investors’ affiliates) holding notes issued in 2013 through January of 2014, or the 2013 notes, used the consideration received upon termination of the 2013 notes as a portion of the purchase price of the Series A preferred stock. The following table summarizes purchases of our Series A preferred stock by related persons:

<b>STOCKHOLDER</b>	<b>SHARES OF SERIES A PREFERRED STOCK</b>	<b>TOTAL PURCHASE PRICE</b>
5AM Ventures (1) (2)	8,000,000	\$8,000,000
Lundbeckfond Invest A/S (3)	8,000,000	\$8,000,000
Pieter Muntendam, M.D. (4)	450,045	\$ 372,239 (5)
Leonard Schaeffer (6)	250,000	\$ 250,000

(1) Kush M. Parmar, M.D., Ph.D., a partner at 5AM Ventures, is a member of our board of directors. 5AM Ventures is a holder of five percent or more of our capital stock.

(2) Consists of (i) 7,680,000 shares, all purchased and received by 5AM Ventures IV, L.P. and (ii) 320,000 shares, all purchased and received by 5AM Co-Investors IV, L.P.

(3) Mette Kirstine Agger, the managing partner at Lundbeckfonden Ventures, the general partner of Lundbeckfond Invest A/S, is a member of our board of directors. Lundbeckfond Invest A/S is a holder of five percent or more of our capital stock.

(4) Pieter Muntendam, M.D. is a holder of five percent or more of our capital stock.

(5) Reflects conversion of principal and interest on certain of the 2013 notes at a discounted price per share relative to the Series A purchase price.

(6) Leonard Schaeffer is a member of our board of directors.

**First 2016 Convertible Note Financing**

In January 2016, we entered into a convertible note purchase agreement, pursuant to which, including by means of multiple subsequent closings through July 2016, we issued and sold to investors an aggregate principal amount of \$8.0 million of convertible promissory notes, or the initial 2016 notes. All of the initial 2016 notes in aggregate principal amount of \$8.0 million, together with accrued interest of \$0.2 million, were used as consideration by the investors to purchase our Series A preferred stock in August 2016. The following table summarizes the issuance of such convertible notes to related persons:

<b>STOCKHOLDER</b>	<b>PRINCIPAL AMOUNT OF NOTES AT FINAL CLOSING</b>	<b>PRINCIPAL AMOUNT AND ACCRUED INTERESTED AT TERMINATION</b>	<b>SHARES OF SERIES A PREFERRED STOCK FROM CONVERSION</b>
5AM Ventures (1) (2)	\$3,000,000	\$ 3,092,711	3,092,711
Lundbeckfond Invest A/S (3)	\$3,000,000	\$ 3,092,383	3,092,383
Schaeffer Holdings LLC (4)	\$ 300,000	\$ 309,501	309,501
Dorothy Coleman (5)	\$ 100,000	\$ 103,024	103,024
Pieter Muntendam, M.D. (6)	\$ 100,000	\$ 102,926	102,926

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- (1) Kush M. Parmar, M.D., Ph.D., a partner at 5AM Ventures, is a member of our board of directors. 5AM Ventures is a holder of five percent or more of our capital stock.
- (2) Consists of (i) 2,969,003 shares, all purchased and received by 5AM Ventures IV, L.P. and (ii) 123,708 shares, all purchased and received by 5AM Co-Investors IV, L.P. 5AM Ventures is a holder of five percent or more of our capital stock.
- (3) Mette Kirstine Agger, the managing partner at Lundbeckfonden Ventures, the general partner of Lundbeckfond Invest A/S, is a member of our board of directors. Lundbeckfond Invest A/S is a holder of five percent or more of our capital stock.
- (4) Leonard Schaeffer, manager at Schaeffer Holdings LLC, is a member of our board of directors.
- (5) Dorothy Coleman is a member of our board of directors.
- (6) Pieter Muntendam, M.D. is a holder of five percent or more of our capital stock.

### **Second 2016 Convertible Note Financing**

In August 2016, we entered into a convertible note purchase agreement, pursuant to which, including by means of secondary closings in September 2016, we issued and sold to investors an aggregate principal amount of \$4.7 million of convertible promissory notes, or the secondary 2016 notes. All of the secondary 2016 notes in aggregate principal amount of \$4.7 million, together with accrued interest of \$0.1 million, were used as consideration by the investors to purchase our Series B preferred stock in December 2016. The following table summarizes the issuance of such convertible notes to related persons:

<b>STOCKHOLDER</b>	<b>PRINCIPAL AMOUNT OF NOTES AT FINAL CLOSING</b>
5AM Ventures (1)(2)	\$ 2,000,000
Lundbeckfond Invest A/S (3)	\$ 2,000,000
Pieter Muntendam, M.D. (4)	\$ 75,000

(1) Kush M. Parmar, M.D., Ph.D., a partner at 5AM Ventures, is a member of our board of directors. 5AM Ventures is a holder of five percent or more of our capital stock.

(2) Consists of (i) \$1,920,000 in principal amount for 5AM Ventures IV, L.P. and (ii) \$80,000 in principal amount for 5AM Co-Investors IV, L.P.

(3) Mette Kirstine Agger, the managing partner at Lundbeckfonden Ventures, the general partner of Lundbeckfond Invest A/S, is a member of our board of directors. Lundbeckfond Invest A/S is a holder of five percent or more of our capital stock.

(4) Pieter Muntendam, M.D. is a holder of five percent or more of our capital stock.

### **Series B Preferred Stock Financing**

In December 2016, we sold an aggregate of 46,962,784 shares of our Series B preferred stock at a purchase price of \$1.00 per share. Certain investors (or such investor's affiliate) holding secondary 2016 notes used the consideration received upon termination of the secondary 2016 notes as a portion of the purchase price of the Series B preferred stock. The following table summarizes purchases of our Series B preferred stock by related persons:

<b>STOCKHOLDER</b>	<b>CASH PAID FOR SERIES B PREFERRED STOCK</b>	<b>PRINCIPAL AND ACCRUED INTEREST UNDER THE SECOND 2016 NOTES</b>	<b>SHARES OF SERIES B PREFERRED STOCK</b>	<b>TOTAL PURCHASE PRICE</b>
5AM Ventures (1)(2)	\$ 5,000,000	\$ 2,053,041	7,566,301	\$ 7,053,041
Lundbeckfond Invest A/S (3)	\$ 4,500,000	\$ 2,054,356	7,067,945	\$ 6,554,356
OrbiMed Private Investments VI, L.P. (4)	\$ 18,500,000	—	18,500,000	\$ 18,500,000
Sun Pharmaceutical Industries Inc. (5)	\$ 13,000,000	—	13,000,000	\$ 13,000,000
Pieter Muntendam, M.D. (6)	—	\$ 76,463	95,578	\$ 76,463

(1) Kush M. Parmar, M.D., Ph.D., a partner at 5AM Ventures, is a member of our board of directors. 5AM Ventures is a holder of five percent or more of our capital stock.

(2) Consists of (i) 7,263,649 shares, all purchased and received by 5AM Ventures IV, L.P. (ii) 302,652 shares, all purchased and received by 5AM Co-Investors IV, L.P.

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- (3) Mette Kirstine Agger, the managing partner at Lundbeckfonden Ventures, the general partner of Lundbeckfond Invest A/S, is a member of our board of directors. Lundbeckfond Invest A/S is a holder of five percent or more of our capital stock.
- (4) Jonathan Silverstein, a partner at OrbiMed, is a member of our board of directors. OrbiMed is a holder of five percent or more of our capital stock.
- (5) Abhay Gandhi, an executive officer at Sun Pharma, is a member of our board of directors. Sun Pharma is a holder of five percent or more of our capital stock.
- (6) Pieter Muntendam, M.D. is a holder of five percent or more of our capital stock.

### **Agreements with Stockholders**

In connection with our Series B preferred stock financing, we entered into investors' rights, voting and right of first refusal and co-sale agreements containing registration rights, information rights, voting rights and rights of first refusal, among other things, with certain holders of our preferred stock and certain holders of our common stock. These stockholder agreements will terminate upon the closing of this offering, except for the registration rights granted under our investors' rights agreement, as more fully described in "Description of Capital Stock—Registration Rights."

### **Indemnification Agreements**

In connection with this offering, we intend to enter into agreements to indemnify our directors and executive officers. These agreements will, among other things, require us to indemnify these individuals for certain expenses (including attorneys' fees), judgments, fines and settlement amounts reasonably incurred by such person in any action or proceeding, including any action by or in our right, on account of any services undertaken by such person on behalf of our company or that person's status as a member of our board of directors to the maximum extent allowed under Delaware law.

### **Policies for Approval of Related Party Transactions**

Our board of directors reviews and approves transactions with directors, officers and holders of five percent or more of our voting securities and their affiliates, each a related party. Prior to this offering, the material facts as to the related party's relationship or interest in the transaction are disclosed to our board of directors prior to their consideration of such transaction, and the transaction is not considered approved by our board of directors unless a majority of the directors who are not interested in the transaction approve the transaction. Further, when stockholders are entitled to vote on a transaction with a related party, the material facts of the related party's relationship or interest in the transaction are disclosed to the stockholders, who must approve the transaction in good faith.

In connection with this offering, we expect to adopt a written related party transactions policy that such transactions must be approved by our audit committee. This policy will become effective on the date on which the registration statement of which this prospectus is part is declared effective by the SEC. Pursuant to this policy, the audit committee has the primary responsibility for reviewing and approving or disapproving "related party transactions," which are transactions between us and related persons in which the aggregate amount involved exceeds or may be expected to exceed \$120,000 and in which a related person has or will have a direct or indirect material interest. For purposes of this policy, a related person will be defined as a director, executive officer, nominee for director, or greater than 5% beneficial owner of our common stock, in each case since the beginning of the most recently completed year, and their immediate family members.



## PRINCIPAL STOCKHOLDERS

The following table sets forth certain information known to us regarding beneficial ownership of our capital stock as of August 18, 2017, as adjusted to reflect the sale of common stock offered by us in this offering, for:

- each person or group of affiliated persons known by us to be the beneficial owner of more than five percent of our capital stock;
- each of our named executive officers;
- each of our directors; and
- all of our executive officers and directors as a group.

To the extent that the underwriters sell more than \_\_\_\_\_ shares in this offering, the underwriters have the option to purchase up to an additional \_\_\_\_\_ shares at the initial public offering price less the underwriting discount.

Beneficial ownership is determined in accordance with the rules of the SEC and generally includes voting or investment power with respect to securities. Under those rules, beneficial ownership includes any shares as to which the individual or entity has sole or shared voting power or investment power, and includes securities that the individual or entity has the right to acquire, such as through the exercise of stock options, within 60 days of August 18, 2017. Except as noted by footnote, and subject to community property laws where applicable, we believe, based on the information provided to us, that the persons and entities named in the table below have sole voting and investment power with respect to all common stock shown as beneficially owned by them.

The percentage of beneficial ownership prior to this offering in the table below is based on \_\_\_\_\_ shares of common stock deemed to be outstanding as of August 18, 2017, assuming the conversion of all outstanding shares of our preferred stock upon the closing of this offering into an aggregate of \_\_\_\_\_ shares of common stock upon the completion of this offering, and the percentage of beneficial ownership at this offering in the table below is based on \_\_\_\_\_ shares of common stock assumed to be outstanding after the closing of the offering. The information in the table below assumes no exercise of the underwriters' option to purchase additional shares.

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Except as otherwise noted below, the address for persons listed in the table is c/o scPharmaceuticals Inc., 2400 District Avenue, Suite 310, Burlington, Massachusetts 01830.

NAME AND ADDRESS OF BENEFICIAL OWNER	NUMBER OF SHARES BENEFICIALLY OWNED PRIOR TO OFFERING	PERCENTAGE OF SHARES BENEFICIALLY OWNED	
		BEFORE OFFERING	AFTER OFFERING
<b>5% Stockholders:</b>			
Entities associated with 5AM Ventures (1)	18,659,012	23.2%	
Lundbeckfond Invest A/S (2)	18,160,328	22.6%	
OrbiMed Private Investments VI, L.P. (3)	18,500,000	23.0%	
Sun Pharmaceutical Industries, Inc. (4)	13,000,000	16.2%	
Pieter Muntendam (5)	6,614,752	8.2%	
<b>Named Executive Officer, Other Executive Officers and Directors:</b>			
John H. Tucker (6)	3,566,222	4.2%	
Abraham Ceesay (7)	1,114,444	1.4%	
Troy Ignelzi (8)	891,555	1.1%	
Mette Kirstine Agger	—	*	
Dorothy Coleman (9)	153,024	*	
Abhay Gandhi	—	*	
Jack A. Khattar (10)	50,000	*	
Kush M. Parmar M.D., Ph.D.	—	*	
Leonard D. Schaeffer (11)	759,501	*	
Jonathan T. Silverstein	—	*	
<b>All executive officers and directors as a group (10 persons) (12)</b>	<b>6,534,746</b>	<b>7.6%</b>	

\* Less than 1%

- (1) Consists of (i) 10,649,003 shares of common stock issuable upon conversion of Series A Preferred Stock held by 5AM Ventures IV, L.P.; (ii) 443,708 shares of common stock issuable upon conversion of Series A Preferred Stock held by 5AM Co-Investors IV, L.P.; (iii) 7,263,649 shares of common stock issuable upon conversion of Series B Preferred Stock held by 5AM Ventures IV, L.P.; (iv) 302,652 shares of common stock issuable upon conversion of Series B Preferred Stock held by 5AM Co-Investors IV, L.P. Dr. John D. Diekman, Andrew Schwab and Dr. Scott M. Rocklage are managing members of 5AM Partners IV, LLC, the general partner of 5AM Ventures IV, L.P. and 5AM Co-Investors IV, L.P., and as such, share voting and investment authority over the shares held by 5AM Ventures IV, L.P. and 5AM Co-Investors IV, L.P. Kush Parmar, a member of our board of directors, is a managing partner at 5AM Venture Management, LLC, which is an affiliate of 5AM Partners. Each of 5AM Partners IV, LLC, Dr. Diekman, Mr. Schwab, Dr. Rocklage, and Dr. Parmar disclaim beneficial ownership of such shares except to the extent of its or their pecuniary interest therein. The address of 5AM Ventures is 501 2nd Street, Suite 350, San Francisco, CA 94107.
- (2) Consists of (i) 11,092,383 shares of common stock issuable upon conversion of Series A Preferred Stock held by Lundbeckfond Invest A/S and (ii) 7,067,945 shares of common stock issuable upon conversion of Series B Preferred Stock held by Lundbeckfond Invest A/S. The board of directors of Lundbeckfond Invest A/S may be deemed to share voting and investment authority over the shares held by Lundbeckfond Invest A/S. Mette Kirstine Agger, a member of our board of directors, is a managing partner at Lundbeckfond Invest A/S, which is an affiliate of Lundbeckfond Invest A/S. The address of Lundbeckfond Invest A/S is Scherfigsvej 7, DK-2100 København Ø.
- (3) Consists of 18,500,000 shares of common stock issuable upon conversion of Series B Preferred Stock held by OrbiMed Private Investments VI, L.P. ("OPI VI"). OrbiMed Capital GP VI LLC ("GP VI") is the sole general partner of OPI VI. OrbiMed Advisors LLC ("OrbiMed Advisors") is the managing member of GP VI. Samuel D. Isaly is the managing member of and owner of a controlling interest in OrbiMed Advisors. By virtue of such relationships, GP VI, OrbiMed Advisors, and Mr. Isaly may be deemed to have voting and investment power with respect to the shares held by OPI VI and as a result may be deemed to have beneficial ownership of such shares. Jonathan T. Silverstein, a member of OrbiMed Advisors, is a member of our board of directors. Each of GP VI, OrbiMed Advisors, Mr. Isaly and Mr. Silverstein disclaims beneficial ownership of the shares held by OPI VI, except to the extent of its or his pecuniary interest therein if any. The address of these entities is 601 Lexington Avenue, 54th floor, New York, New York 10022.
- (4) Consists of 13,000,000 shares of common stock issuable upon conversion of Series B Preferred Stock held by Sun Pharmaceutical Industries, Inc. ("Sun Pharma"). The board of directors of Sun Pharma may be deemed to share voting and investment authority over the shares held by Sun Pharma. The address of Sun Pharma is 2 Independence Way, Princeton, NJ 08540.
- (5) Consists of (i) 5,898,618 shares of common stock held by Pieter Muntendam; (ii) 552,971 shares of common stock issuable upon conversion of Series A Preferred Stock held by Pieter Muntendam; (iii) 95,578 shares of common stock issuable upon conversion of

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Series B Preferred Stock held by Pieter Muntendam; and (iv) 67,585 shares of common stock issuable upon conversion of Series A Preferred Stock held by Melissa Paul (the "Paul Shares"). Dr. Muntendam may be deemed to beneficially own the Paul Shares, which are held by Melissa Paul, Dr. Muntendam's wife. Dr. Muntendam disclaims beneficial ownership of the Paul Shares and this shall not be deemed an admission that he is the beneficial owner of the Paul Shares.

- (6) Consists of 3,566,222 shares of common stock underlying options exercisable within 60 days of June 30, 2017.
- (7) Consists of 1,114,444 shares of common stock underlying options exercisable within 60 days of June 30, 2017.
- (8) Consists of 891,555 shares of common stock underlying options exercisable within 60 days of June 30, 2017.
- (9) Consists of (i) 103,024 shares of common stock issuable upon conversion of Series A Preferred Stock and (ii) 50,000 shares of common stock underlying options exercisable within 60 days of June 30, 2017.
- (10) Consists of 50,000 shares of common stock underlying options exercisable within 60 days of June 30, 2017.
- (11) Consists of (i) 250,000 shares of common stock issuable upon conversion of Series A Preferred Stock held by Leonard D. Schaeffer; (ii) 309,501 shares of common stock issuable upon conversion of Series A Preferred Stock held by Schaeffer Holdings LLC; and (iii) 200,000 shares of common stock underlying options exercisable within 60 days of June 30, 2017.
- (12) Includes an aggregate of 5,872,221 shares issuable upon exercise of stock options held by six executive officers and directors.

## DESCRIPTION OF CAPITAL STOCK

*The following descriptions are summaries of the material terms of our amended and restated certificate of incorporation and amended and restated bylaws, which will be effective upon the closing of this offering. The descriptions of the common stock and preferred stock give effect to changes to our capital structure that will occur upon the completion of this offering. We refer in this section to our amended and restated certificate of incorporation as our certificate of incorporation, and we refer to our amended and restated bylaws as our bylaws.*

### General

Upon completion of this offering, our authorized capital stock will consist of \_\_\_\_\_ shares of common stock, par value \$0.0001 per share, and \_\_\_\_\_ shares of preferred stock, par value \$0.0001 per share, all of which shares of preferred stock will be undesignated.

As of June 30, 2017, 7,740,881 shares of our common stock (of which 8,752 shares are subject to a right of repurchase by us pursuant to a stock restriction agreement between us and the holders of such shares), 25,749,471 shares of Series A preferred stock and 46,962,784 shares of Series B preferred stock were outstanding and held by 31 stockholders of record. This amount does not take into account the conversion of all outstanding shares of our preferred stock into common stock upon the closing of this offering.

### Common Stock

The holders of our common stock are entitled to one vote for each share held on all matters submitted to a vote of the stockholders. The holders of our common stock do not have any cumulative voting rights. Holders of our common stock are entitled to receive ratably any dividends declared by our board of directors out of funds legally available for that purpose, subject to any preferential dividend rights of any outstanding preferred stock. Our common stock has no preemptive rights, conversion rights or other subscription rights or redemption or sinking fund provisions.

In the event of our liquidation, dissolution or winding up, holders of our common stock will be entitled to share ratably in all assets remaining after payment of all debts and other liabilities and any liquidation preference of any outstanding preferred stock. The shares to be issued by us in this offering will be, when issued and paid for, validly issued, fully paid and non-assessable.

### Preferred Stock

Upon the completion of this offering, all outstanding shares of our preferred stock will be converted into shares of our common stock. Upon the consummation of this offering, our board of directors will have the authority, without further action by our stockholders, to issue up to \_\_\_\_\_ shares of preferred stock in one or more series and to fix the rights, preferences, privileges and restrictions thereof. These rights, preferences and privileges could include dividend rights, conversion rights, voting rights, terms of redemption, liquidation preferences, sinking fund terms and the number of shares constituting, or the designation of, such series, any or all of which may be greater than the rights of common stock. The issuance of our preferred stock could adversely affect the voting power of holders of common stock and the likelihood that such holders will receive dividend payments and payments upon our liquidation. In addition, the issuance of preferred stock could have the effect of delaying, deferring or preventing a change in control of our company or other corporate action. Immediately after consummation of this offering, no shares of preferred stock will be outstanding, and we have no present plan to issue any shares of preferred stock.

### Stock Options

As of June 30, 2017, there were outstanding options to purchase an aggregate of 7,557,601 shares of our common stock.

### Registration Rights

Upon the completion of this offering, the holders of \_\_\_\_\_ shares of our common stock, including those issuable upon the conversion of preferred stock, will be entitled to rights with respect to the registration of these securities under the Securities Act. These rights are provided under the terms of an investors' rights agreement between us,

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holders of our preferred stock. The investors' rights agreement includes demand registration rights, short-form registration rights and piggyback registration rights. All fees, costs and expenses of underwritten registrations under this agreement will be borne by us and all selling expenses, including underwriting discounts and selling commissions, will be borne by the holders of the shares being registered.

### ***Demand Registration Rights***

Beginning 180 days after the effective date of this registration statement, the holders of \_\_\_\_\_ shares of our common stock, including those issuable upon the conversion of preferred stock upon closing of this offering, are entitled to demand registration rights. Under the terms of the investors' rights agreement, we will be required, upon the written request of holders of at least 30% of these securities that would result in an aggregate offering price of at least \$20.0 million, to file a registration statement and use commercially reasonable efforts to effect the registration of all or a portion of these shares for public resale. We are required to effect only two registrations pursuant to this provision of the investors' rights agreement.

### ***Short-Form Registration Rights***

Pursuant to the investors' rights agreement, if we are eligible to file a registration statement on Form S-3, upon the written request of majority in interest of these holders to sell registrable securities at an aggregate price of at least \$2.0 million, we will be required to use commercially reasonable efforts to effect a registration of such shares. We are required to effect only two registrations in any twelve month period pursuant to this provision of the investors' rights agreement. The right to have such shares registered on Form S-3 is further subject to other specified conditions and limitations.

### ***Piggyback Registration Rights***

Pursuant to the investors' rights agreement, if we register any of our securities either for our own account or for the account of other security holders, the holders of these shares are entitled to include their shares in the registration. Subject to certain exceptions contained in the investors' rights agreement, we and the underwriters may limit the number of shares included in the underwritten offering to the number of shares which we and the underwriters determine in our sole discretion will not jeopardize the success of the offering.

### ***Indemnification***

Our investors' rights agreement contains customary cross-indemnification provisions, under which we are obligated to indemnify holders of registrable securities in the event of material misstatements or omissions in the registration statement attributable to us, and they are obligated to indemnify us for material misstatements or omissions attributable to them.

### ***Expiration of Registration Rights***

The demand registration rights and short form registration rights granted under the investors' rights agreement will terminate on the third anniversary of the completion of this offering or at such time after this offering when the holders' shares may be sold without restriction pursuant to Rule 144 within a three month period.

### ***Anti-Takeover Effects of our Certificate of Incorporation and Bylaws and Delaware Law***

Our certificate of incorporation and bylaws include a number of provisions that may have the effect of delaying, deferring or preventing another party from acquiring control of us and encouraging persons considering unsolicited tender offers or other unilateral takeover proposals to negotiate with our board of directors rather than pursue non-negotiated takeover attempts. These provisions include the items described below.

### ***Board Composition and Filling Vacancies***

Our certificate of incorporation provides for the division of our board of directors into three classes serving staggered three-year terms, with one class being elected each year. Our certificate of incorporation also provides that directors may be removed only for cause and then only by the affirmative vote of the holders of 75% or more of the shares then entitled to vote at an election of directors. Furthermore, any vacancy on our board of directors, however occurring, including a vacancy resulting from an increase in the size of our board, may only be filled by the affirmative vote of a majority of our directors then in office even if less than a quorum. The classification of directors, together with the limitations on removal of directors and treatment of vacancies, has the effect of making it more difficult for stockholders to change the composition of our board of directors.

**No Written Consent of Stockholders**

Our certificate of incorporation provides that all stockholder actions are required to be taken by a vote of the stockholders at an annual or special meeting, and that stockholders may not take any action by written consent in lieu of a meeting. This limit may lengthen the amount of time required to take stockholder actions and would prevent the amendment of our bylaws or removal of directors by our stockholders without holding a meeting of stockholders.

**Meetings of Stockholders**

Our certificate of incorporation and bylaws provide that only a majority of the members of our board of directors then in office may call special meetings of stockholders and only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders. Our bylaws limit the business that may be conducted at an annual meeting of stockholders to those matters properly brought before the meeting.

**Advance Notice Requirements**

Our bylaws establish advance notice procedures with regard to stockholder proposals relating to the nomination of candidates for election as directors or new business to be brought before meetings of our stockholders. These procedures provide that notice of stockholder proposals must be timely given in writing to our corporate secretary prior to the meeting at which the action is to be taken. Generally, to be timely, notice must be received at our principal executive offices not less than 90 days nor more than 120 days prior to the first anniversary date of the annual meeting for the preceding year. Our bylaws specify the requirements as to form and content of all stockholders' notices. These requirements may preclude stockholders from bringing matters before the stockholders at an annual or special meeting.

**Amendment to Certificate of Incorporation and Bylaws**

Any amendment of our certificate of incorporation must first be approved by a majority of our board of directors, and if required by law or our certificate of incorporation, must thereafter be approved by a majority of the outstanding shares entitled to vote on the amendment and a majority of the outstanding shares of each class entitled to vote thereon as a class, except that the amendment of the provisions relating to stockholder action, board composition, limitation of liability and the amendment of our bylaws and certificate of incorporation must be approved by not less than 75% of the outstanding shares entitled to vote on the amendment, and not less than 75% of the outstanding shares of each class entitled to vote thereon as a class. Our bylaws may be amended by the affirmative vote of a majority of the directors then in office, subject to any limitations set forth in the bylaws; and may also be amended by the affirmative vote of at least 75% of the outstanding shares entitled to vote on the amendment, or, if our board of directors recommends that the stockholders approve the amendment, by the affirmative vote of the majority of the outstanding shares entitled to vote on the amendment, in each case voting together as a single class.

**Undesignated Preferred Stock**

Our certificate of incorporation provides for \_\_\_\_\_ authorized shares of preferred stock. The existence of authorized but unissued shares of preferred stock may enable our board of directors to discourage an attempt to obtain control of us by means of a merger, tender offer, proxy contest or otherwise. For example, if in the due exercise of its fiduciary obligations, our board of directors were to determine that a takeover proposal is not in the best interests of our stockholders, our board of directors could cause shares of preferred stock to be issued without stockholder approval in one or more private offerings or other transactions that might dilute the voting or other rights of the proposed acquirer or insurgent stockholder or stockholder group. In this regard, our certificate of incorporation grants our board of directors broad power to establish the rights and preferences of authorized and unissued shares of preferred stock. The issuance of shares of preferred stock could decrease the amount of earnings and assets available for distribution to holders of shares of common stock. The issuance may also adversely affect the rights and powers, including voting rights, of these holders and may have the effect of delaying, deterring or preventing a change in control of us.

**Choice of forum**

Our certificate of incorporation provides that, unless we consent in writing to the selection of an alternative form, the Court of Chancery of the State of Delaware will be the sole and exclusive forum for: (1) any derivative action or proceeding brought on our behalf; (2) any action asserting a claim of breach of a fiduciary duty or other wrongdoing by any of our directors, officers, employees or agents to us or our stockholders; (3) any action asserting a claim

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against us arising pursuant to any provision of the General Corporation Law of the State of Delaware or our certificate of incorporation or bylaws; (4) any action to interpret, apply, enforce or determine the validity of our certificate of incorporation or bylaws; or (5) any action asserting a claim governed by the internal affairs doctrine. Our certificate of incorporation also provides that any person or entity purchasing or otherwise acquiring any interest in shares of our capital stock will be deemed to have notice of and to have consented to this choice of forum provision. It is possible that a court of law could rule that the choice of forum provision contained in our restated certificate of incorporation is inapplicable or unenforceable if it is challenged in a proceeding or otherwise.

### **Section 203 of the Delaware General Corporation Law**

Upon completion of this offering, we will be subject to the provisions of Section 203 of the Delaware General Corporation Law. In general, Section 203 prohibits a publicly held Delaware corporation from engaging in a "business combination" with an "interested stockholder" for a three-year period following the time that this stockholder becomes an interested stockholder, unless the business combination is approved in a prescribed manner. Under Section 203, a business combination between a corporation and an interested stockholder is prohibited unless it satisfies one of the following conditions:

- before the stockholder became interested, our board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder;
- upon consummation of the transaction which 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 voting stock outstanding, shares owned by persons who are directors and also officers, and employee stock plans, in some instances, but not the outstanding voting stock owned by the interested stockholder; or
- at or after the time the stockholder became interested, the business combination was approved by our board of directors and authorized at an annual or special meeting of the stockholders by the affirmative vote of at least two-thirds of the outstanding voting stock which is not owned by the interested stockholder.

Section 203 defines a business combination to include:

- any merger or consolidation involving the corporation and the interested stockholder;
- any sale, transfer, lease, pledge or other disposition involving the interested stockholder of 10% or more of the assets of the corporation;
- subject to exceptions, any transaction that results in the issuance or transfer by the corporation of any stock of the corporation to the interested stockholder;
- subject to exceptions, 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; and
- 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 entity or person beneficially owning 15% or more of the outstanding voting stock of the corporation and any entity or person affiliated with or controlling or controlled by the entity or person.

### **NASDAQ Global Market Listing**

We intend to apply to list our common stock on The NASDAQ Global Market under the trading symbol "SCPH."

### **Transfer Agent and Registrar**

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



## SHARES ELIGIBLE FOR FUTURE SALE

Prior to this offering, there has been no public market for our shares. Future sales of our common stock in the public market, or the availability of such shares for sale in the public market, could adversely affect market prices prevailing from time to time. As described below, only a limited number of shares will be available for sale shortly after this offering due to contractual and legal restrictions on resale. Nevertheless, sales of our common stock in the public market after such restrictions lapse, or the perception that those sales may occur, could adversely affect the prevailing market price at such time and our ability to raise equity capital in the future.

Based on the number of shares outstanding as of June 30, 2017, upon the completion of this offering, \_\_\_\_\_ shares of our common stock will be outstanding, assuming no exercise of the underwriters' option to purchase additional shares and no exercise of outstanding options. Of the outstanding shares, all of the shares sold in this offering will be freely tradable, except that any shares held by our affiliates, as that term is defined in Rule 144 under the Securities Act, may only be sold in compliance with the limitations described below, and shares of our common stock are restricted shares of common stock subject to time-based vesting terms. All remaining shares of common stock held by existing stockholders immediately prior to the completion of this offering will be "restricted securities" as such term is defined in Rule 144. These restricted securities were issued and sold by us, or will be issued and sold by us, in private transactions and are eligible for public sale only if registered under the Securities Act or if they qualify for an exemption from registration under the Securities Act, including the exemptions provided by Rule 144 or Rule 701, summarized below.

### Rule 144

In general, a person who has beneficially owned restricted stock for at least six months would be entitled to sell their securities provided that (i) such person is not deemed to have been one of our affiliates at the time of, or at any time during the 90 days preceding, a sale and (ii) we are subject to the Securities Exchange Act of 1934, as amended, or the Exchange Act, periodic reporting requirements for at least 90 days before the sale. Persons who have beneficially owned restricted shares for at least six months but who are our affiliates at the time of, or any time during the 90 days preceding, a sale, would be subject to additional restrictions, by which such person would be entitled to sell within any three-month period only a number of securities that does not exceed the greater of either of the following:

- 1% of the number of shares then outstanding, which will equal approximately \_\_\_\_\_ shares immediately after this offering, assuming no exercise of the underwriters' option to purchase additional shares, based on the number of shares outstanding as of June 30, 2017; or
- the average weekly trading volume of our common stock on The NASDAQ Global Market during the four calendar weeks preceding the filing of a notice on Form 144 with respect to the sale;

provided, in each case, that we are subject to the Exchange Act periodic reporting requirements for at least 90 days before the sale. Such sales both by affiliates and by non-affiliates must also comply with the manner of sale, current public information and notice provisions of Rule 144.

### Rule 701

Rule 701 under the Securities Act, as in effect on the date of this prospectus, permits resales of shares in reliance upon Rule 144 but without compliance with certain restrictions of Rule 144, including the holding period requirement. Most of our employees, executive officers or directors who purchased shares under a written compensatory plan or contract may be entitled to rely on the resale provisions of Rule 701, but all holders of Rule 701 shares are required to wait until 90 days after the date of this prospectus before selling their shares.

However, substantially all Rule 701 shares are subject to lock-up agreements as described below and under "Underwriting" included elsewhere in this prospectus and will become eligible for sale upon the expiration of the restrictions set forth in those agreements.

### Lock-Up Agreements

All of our directors, executive officers and our stockholders have signed a lock-up agreement that prevents them from selling any of our common stock or any securities convertible into or exercisable or exchangeable for common stock

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for a period of not less than 180 days from the date of this prospectus without the prior written consent of the representatives, subject to certain exceptions. See the section entitled "Underwriting" appearing elsewhere in this prospectus for more information.

**Registration Rights**

Upon completion of this offering, certain holders of our securities will be entitled to various rights with respect to registration of their shares under the Securities Act. Registration of these shares under the Securities Act would result in these shares becoming fully tradable without restriction under the Securities Act immediately upon the effectiveness of the registration. See the section entitled "Description of Capital Stock—Registration Rights" appearing elsewhere in this prospectus for more information.

**Equity Incentive Plans**

We intend to file one or more registration statements on Form S-8 under the Securities Act to register our shares issued or reserved for issuance under our equity incentive plans. The first such registration statement is expected to be filed soon after the date of this prospectus and will automatically become effective upon filing with the SEC. Accordingly, shares registered under such registration statement will be available for sale in the open market, unless such shares are subject to vesting restrictions with us or the lock-up restrictions described above. As of \_\_\_\_\_, 2017, we estimate that such registration statement on Form S-8 will cover approximately \_\_\_\_\_ shares.

## MATERIAL U.S. FEDERAL INCOME TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following discussion is a summary of the material U.S. federal income tax considerations applicable to non-U.S. holders (as defined below) with respect to their ownership and disposition of shares of our common stock issued pursuant to this offering. For purposes of this discussion, a non-U.S. holder means a beneficial owner of our common stock that is for U.S. federal income tax purposes:

- a non-resident alien individual;
- a foreign corporation or any other foreign organization taxable as a corporation for U.S. federal income tax purposes; or
- a foreign estate or trust, the income of which is not subject to U.S. federal income tax on a net income basis.

This discussion does not address the tax treatment of partnerships or other entities that are pass-through entities for U.S. federal income tax purposes or persons that hold their common stock through partnerships or other pass-through entities. A partner in a partnership or other pass-through entity that will hold our common stock should consult his, her or its tax advisor regarding the tax consequences of acquiring, holding and disposing of our common stock through a partnership or other pass-through entity, as applicable.

This discussion is based on current provisions of the U.S. Internal Revenue Code of 1986, as amended, which we refer to as the Code, existing and proposed U.S. Treasury Regulations promulgated thereunder, current administrative rulings and judicial decisions, all as in effect as of the date of this prospectus and, all of which are subject to change or to differing interpretation, possibly with retroactive effect. Any such change or differing interpretation could alter the tax consequences to non-U.S. holders described in this prospectus. There can be no assurance that the Internal Revenue Service, which we refer to as the IRS, will not challenge one or more of the tax consequences described herein. We assume in this discussion that a non-U.S. holder holds shares of our 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 aspects of U.S. federal income taxation that may be relevant to a particular non-U.S. holder in light of that non-U.S. holder's individual circumstances nor does it address any aspects of any U.S. federal tax other than the income tax, U.S. state, local or non-U.S. taxes, the alternative minimum tax, or the Medicare tax on net investment income. This discussion also does not consider any specific facts or circumstances that may apply to a non-U.S. holder and does not address the special tax rules applicable to particular non-U.S. holders, such as:

- insurance companies;
- tax-exempt or governmental organizations;
- financial institutions;
- brokers or dealers in securities;
- regulated investment companies;
- pension plans;
- "controlled foreign corporations," "passive foreign investment companies," and corporations that accumulate earnings to avoid U.S. federal income tax;
- "qualified foreign pension funds," or entities wholly owned by a "qualified foreign pension fund";
- partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and partners and investors therein);
- persons that have a functional currency other than the U.S. dollar;
- persons deemed to sell our common stock under the constructive sale provisions of the Code;
- persons that hold our common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment;
- persons who hold or receive our common stock pursuant to the exercise of any employee stock option or otherwise as compensation;

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- persons for whom our stock constitutes “qualified small business stock” within the meaning of Section 1202 of the Code; and
- certain U.S. expatriates.

This discussion is for general information only and is not tax advice. Accordingly, all prospective non-U.S. holders of our common stock should consult their tax advisors with respect to the U.S. federal, state, local and non-U.S. tax consequences of the purchase, ownership and disposition of our common stock.

### **Distributions on Our Common Stock**

Distributions, if any, on our common stock will constitute dividends for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits, as determined under U.S. federal income tax principles. If a distribution exceeds our current and accumulated earnings and profits, the excess will be treated as a tax-free return of the non-U.S. holder’s investment, up to such holder’s tax basis in the common stock. Any remaining excess will be treated as capital gain, subject to the tax treatment described below in “Gain on sale, exchange or other disposition of our common stock.” Any such distributions will also be subject to the discussions below under the sections titled “Backup Withholding and Information Reporting” and “Withholding and Information Reporting Requirements—FATCA.”

Subject to the discussion in the following two paragraphs in this section, dividends paid to a non-U.S. holder generally will be subject to withholding of U.S. federal income tax at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder’s country of residence.

Dividends that are treated as effectively connected with a trade or business conducted by a non-U.S. holder within the United States and, if an applicable income tax treaty so provides, that are attributable to a permanent establishment or a fixed base maintained by the non-U.S. holder within the United States, are generally exempt from the 30% withholding tax if the non-U.S. holder satisfies applicable certification and disclosure requirements. However, such U.S. effectively connected income, net of specified deductions and credits, is taxed at the same graduated U.S. federal income tax rates applicable to United States persons (as defined in the Code). Any U.S. effectively connected income received by a non-U.S. holder that is a corporation may also, under certain circumstances, be subject to an additional “branch profits tax” at a 30% rate or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder’s country of residence.

A non-U.S. holder of our common stock who claims the benefit of an applicable income tax treaty between the United States and such holder’s country of residence generally will be required to provide a properly executed IRS Form W-8BEN or W-8BEN-E (or successor form) to the applicable withholding agent and satisfy applicable certification and other requirements. Non-U.S. holders are urged to consult their tax advisors regarding their entitlement to benefits under a relevant income tax treaty. A non-U.S. holder that is eligible for a reduced rate of U.S. withholding tax under an income tax treaty may obtain a refund or credit of any excess amounts withheld by timely filing a U.S. tax return with the IRS.

### **Gain on Sale or Other Taxable Disposition of Our Common Stock**

Subject to the discussions below under “Backup Withholding and Information Reporting” and “Withholding and Information Reporting Requirements—FATCA,” a non-U.S. holder generally will not be subject to any U.S. federal income tax on any gain realized upon such holder’s sale or other taxable disposition of shares of our common stock unless:

- the gain is effectively connected with the non-U.S. holder’s conduct of a U.S. trade or business and, if an applicable income tax treaty so provides, is attributable to a permanent establishment or a fixed-base maintained by such non-U.S. holder in the United States, in which case the non-U.S. holder generally will be taxed on a net income basis at the graduated U.S. federal income tax rates applicable to United States persons (as defined in the Code) and, if the non-U.S. holder is a foreign corporation, the branch profits tax described above in “Distributions on Our Common Stock” also may apply;
- the non-U.S. holder is a nonresident alien individual who is present in the United States for 183 days or more in the taxable year of the disposition and certain other conditions are met, in which case the non-U.S.

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holder will be subject to a 30% tax (or such lower rate as may be specified by an applicable income tax treaty between the United States and such holder's country of residence) on the net gain derived from the disposition, which may be offset by certain U.S. source capital losses of the non-U.S. holder, if any (even though the individual is not considered a resident of the United States), provided that the non-U.S. holder has timely filed U.S. federal income tax returns with respect to such losses; or

- we are, or have been, at any time during the five-year period preceding such sale of other taxable disposition (or the non-U.S. holder's holding period, if shorter) a "U.S. real property holding corporation," unless our common stock is regularly traded on an established securities market and the non-U.S. holder holds no more than 5% of our outstanding common stock, directly or indirectly, actually or constructively, during the shorter of the 5-year period ending on the date of the disposition or the period that the non-U.S. holder held our common stock. Generally, a corporation is a U.S. real property holding corporation only if the fair market value of its U.S. real property interests equals or exceeds 50% of the sum of the fair market value of its worldwide real property interests plus its other assets used or held for use in a trade or business. Although there can be no assurance, we do not believe that we are, or have been, a U.S. real property holding corporation, or that we are likely to become one in the future. No assurance can be provided that our common stock will be regularly traded on an established securities market for purposes of the rules described above.

### **Backup Withholding and Information Reporting**

We must report annually to the IRS and to each non-U.S. holder the gross amount of the distributions on our common stock paid to such holder and the tax withheld, if any, with respect to such distributions. Non-U.S. holders may have to comply with specific certification procedures to establish that the holder is not a United States person (as defined in the Code) in order to avoid backup withholding at the applicable rate with respect to dividends on our common stock. Dividends paid to non-U.S. holders subject to withholding of U.S. federal income tax, as described above in "Distributions on Our Common Stock," generally will be exempt from U.S. backup withholding.

Information reporting and backup withholding will generally apply to the proceeds of a disposition of our common stock by a non-U.S. holder effected by or through the U.S. office of any broker, U.S. or foreign, unless the holder certifies its status as a non-U.S. holder and satisfies certain other requirements, or otherwise establishes an exemption. Generally, information reporting and backup withholding will not apply to a payment of disposition proceeds to a non-U.S. holder where the transaction is effected outside the United States through a non-U.S. office of a broker. However, for information reporting purposes, dispositions effected through a non-U.S. office of a broker with substantial U.S. ownership or operations generally will be treated in a manner similar to dispositions effected through a U.S. office of a broker. Non-U.S. holders should consult their tax advisors regarding the application of the information reporting and backup withholding rules to them. Copies of information returns may be made available to the tax authorities of the country in which the non-U.S. holder resides or is incorporated under the provisions of a specific treaty or agreement. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a non-U.S. holder can be refunded or credited against the non-U.S. holder's U.S. federal income tax liability, if any, provided that an appropriate claim is filed with the IRS in a timely manner.

### **Withholding and Information Reporting Requirements—FATCA**

The Foreign Account Tax Compliance Act, or FATCA, generally imposes a U.S. federal withholding tax at a rate of 30% on payments of dividends on, or gross proceeds from the sale or other disposition of, our common stock paid to a foreign entity unless (i) if the foreign entity is a "foreign financial institution," such foreign entity undertakes certain due diligence, reporting, withholding, and certification obligations, (ii) if the foreign entity is not a "foreign financial institution," such foreign entity identifies certain of its U.S. investors, if any, or (iii) the foreign entity is otherwise exempt under FATCA. Under applicable U.S. Treasury regulations, withholding under FATCA currently applies to payments of dividends on our common stock, but will only apply to payments of gross proceeds from a sale or other disposition of our common stock made after December 31, 2018. Under certain circumstances, a non-U.S. holder may be eligible for refunds or credits of this withholding tax. An intergovernmental agreement between the United States and an applicable foreign country may modify the requirements described in this paragraph. Non-U.S. holders should consult their tax advisors regarding the possible implications of this legislation on their investment in our common stock and the entities through which they hold our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of the 30% withholding tax under FATCA.

**UNDERWRITING**

Subject to the terms and conditions set forth in the underwriting agreement, dated \_\_\_\_\_, 2017, among us and Jefferies LLC, Leerink Partners LLC and BMO Capital Markets Corp., as the representatives of the underwriters named below and the joint book-running managers of this offering, we have agreed to sell to the underwriters, and each of the underwriters has agreed, severally and not jointly, to purchase from us, the respective number of shares of common stock shown opposite its name below:

<b>UNDERWRITER</b>	<b>NUMBER OF SHARES</b>
Jefferies LLC	
Leerink Partners LLC	
BMO Capital Markets Corp.	
Total	

The underwriting agreement provides that the obligations of the several underwriters are subject to certain conditions precedent such as the receipt by the underwriters of officers' certificates and legal opinions and approval of certain legal matters by their counsel. The underwriting agreement provides that the underwriters will purchase all of the shares of common stock if any of them are purchased. If an underwriter defaults, the underwriting agreement provides that the purchase commitments of the nondefaulting underwriters may be increased or the underwriting agreement may be terminated. We have agreed to indemnify the underwriters and certain of their controlling persons against certain liabilities, including liabilities under the Securities Act, and to contribute to payments that the underwriters may be required to make in respect of those liabilities.

The underwriters have advised us that, following the pricing of this offering, they currently intend to make a market in the common stock as permitted by applicable laws and regulations. However, the underwriters are not obligated to do so, and the underwriters may discontinue any market-making activities at any time without notice in their sole discretion. Accordingly, no assurance can be given as to the liquidity of the trading market for the common stock, that you will be able to sell any of the common stock held by you at a particular time or that the prices that you receive when you sell will be favorable.

The underwriters are offering the shares of common stock subject to their acceptance of the shares of common stock from us and subject to prior sale. The underwriters reserve the right to withdraw, cancel or modify offers to the public and to reject orders in whole or in part.

**Commission and Expenses**

The underwriters have advised us that they propose to offer the shares of common stock to the public at the initial public offering price set forth on the cover page of this prospectus and to certain dealers, which may include the underwriters, at that price less a concession not in excess of \$ \_\_\_\_\_ per share of common stock. The underwriters may allow, and certain dealers may reallow, a discount from the concession not in excess of \$ \_\_\_\_\_ per share of common stock to certain brokers and dealers. After the offering, the initial public offering price, concession and reallowance to dealers may be reduced by the representatives. No such reduction will change the amount of proceeds to be received by us as set forth on the cover page of this prospectus.

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The following table shows the public offering price, the underwriting discounts and commissions that we are to pay the underwriters and the proceeds, before expenses, to us in connection with this offering. Such amounts are shown assuming both no exercise and full exercise of the underwriters' option to purchase additional shares.

	PER SHARE		TOTAL	
	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES	WITHOUT OPTION TO PURCHASE ADDITIONAL SHARES	WITH OPTION TO PURCHASE ADDITIONAL SHARES
Public offering price	\$	\$	\$	\$
Underwriting discounts and commissions paid by us	\$	\$	\$	\$
Proceeds to us, before expenses	\$	\$	\$	\$

We estimate expenses payable by us in connection with this offering, other than the underwriting discounts and commissions referred to above, will be approximately \$ . We have also agreed to reimburse the underwriters for certain expenses, including an amount not to exceed \$ in connection with the clearance of this offering with the Financial Industry Regulatory Authority, as set forth in the underwriting agreement.

### **Determination of Offering Price**

Prior to this offering, there has not been a public market for our common stock. Consequently, the initial public offering price for our common stock will be determined by negotiations between us and the representatives. Among the factors to be considered in these negotiations will be prevailing market conditions, our financial information, market valuations of other companies that we and the underwriters believe to be comparable to us, estimates of our business potential, the present state of our development and other factors deemed relevant.

We offer no assurances that the initial public offering price will correspond to the price at which the common stock will trade in the public market subsequent to the offering or that an active trading market for the common stock will develop and continue after the offering.

### **Listing**

We intend to apply to have our common stock listed on The NASDAQ Global Market under the trading symbol "SCPH".

### **Option to Purchase Additional Shares**

We have granted to the underwriters an option, exercisable for 30 days from the date of this prospectus, to purchase, from time to time, in whole or in part, up to an aggregate of shares from us at the public offering price set forth on the cover page of this prospectus, less underwriting discounts and commissions. If the underwriters exercise this option, each underwriter will be obligated, subject to specified conditions, to purchase a number of additional shares proportionate to that underwriter's initial purchase commitment as indicated in the table above. This option may be exercised only if the underwriters sell more shares than the total number set forth on the cover page of this prospectus.

### **No Sales of Similar Securities**

We, our officers, directors and holders of all of our outstanding capital stock have agreed, subject to specified exceptions, not to directly or indirectly:

- sell, offer, contract or grant any option to sell (including any short sale), pledge, transfer, establish an open "put equivalent position" within the meaning of Rule 16a-1(h) under the Securities Exchange Act of 1934, as amended, or
- otherwise dispose of any shares of common stock, options or warrants to acquire shares of common stock, or securities exchangeable or exercisable for or convertible into shares of common stock currently or hereafter owned either of record or beneficially, or
- publicly announce an intention to do any of the foregoing for a period of 180 days after the date of this prospectus without the prior written consent of

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This restriction terminates after the close of trading of the common stock on and including the 180th day after the date of this prospectus.

may, in their discretion and at any time or from time to time before the termination of the 180-day period release all or any portion of the securities subject to lock-up agreements. There are no existing agreements between the underwriters and any of our shareholders who will execute a lock-up agreement, providing consent to the sale of shares prior to the expiration of the lock-up period.

### **Stabilization**

The underwriters have advised us that they, pursuant to Regulation M under the Securities Exchange Act of 1934, as amended, certain persons participating in the offering may engage in short sale transactions, stabilizing transactions, syndicate covering transactions or the imposition of penalty bids in connection with this offering. These activities may have the effect of stabilizing or maintaining the market price of the common stock at a level above that which might otherwise prevail in the open market. Establishing short sales positions may involve either “covered” short sales or “naked” short sales.

“Covered” short sales are sales made in an amount not greater than the underwriters’ option to purchase additional shares of our common stock in this offering. The underwriters may close out any covered short position by either exercising their option to purchase additional shares of our common stock or purchasing shares of our common stock in the open market. In determining the source of shares to close out the covered short position, the underwriters will consider, among other things, the price of shares available for purchase in the open market as compared to the price at which they may purchase shares through the option to purchase additional shares.

“Naked” short sales are sales in excess of the option to purchase additional shares of our common stock. The underwriters must close out any naked short position by purchasing shares in the open market. A naked short position is more likely to be created if the underwriters are concerned that there may be downward pressure on the price of the shares of our common stock in the open market after pricing that could adversely affect investors who purchase in this offering.

A stabilizing bid is a bid for the purchase of shares of common stock on behalf of the underwriters for the purpose of fixing or maintaining the price of the common stock. A syndicate covering transaction is the bid for or the purchase of shares of common stock on behalf of the underwriters to reduce a short position incurred by the underwriters in connection with the offering. Similar to other purchase transactions, the underwriter’s purchases to cover the syndicate short sales may have the effect of raising or maintaining the market price of our common stock or preventing or retarding a decline in the market price of our common stock. As a result, the price of our common stock may be higher than the price that might otherwise exist in the open market. A penalty bid is an arrangement permitting the underwriters to reclaim the selling concession otherwise accruing to a syndicate member in connection with the offering if the common stock originally sold by such syndicate member are purchased in a syndicate covering transaction and therefore have not been effectively placed by such syndicate member.

Neither we, nor any of the underwriters make any representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of our common stock. The underwriters are not obligated to engage in these activities and, if commenced, any of the activities may be discontinued at any time.

### **Electronic Distribution**

A prospectus in electronic format may be made available by e-mail or on the websites or through online services maintained by one or more of the underwriters or their affiliates. In those cases, prospective investors may view offering terms online and may be allowed to place orders online. The underwriters may agree with us to allocate a specific number of shares of common stock for sale to online brokerage account holders. Any such allocation for online distributions will be made by the underwriters on the same basis as other allocations. Other than the prospectus in electronic format, the information on the underwriters’ websites and any information contained in any other website maintained by any of the underwriters is not part of this prospectus, has not been approved and/or endorsed by us or the underwriters and should not be relied upon by investors.



## **Other Activities and Relationships**

The underwriter and certain of its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, investment research, principal investment, hedging, financing and brokerage activities. The underwriter and certain of its affiliates have, from time to time, performed, and may in the future perform, various commercial and investment banking and financial advisory services for us and our affiliates, for which they received or will receive customary fees and expenses.

In the ordinary course of their various business activities, the underwriter and certain of its affiliates may make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and such investment and securities activities may involve securities and/or instruments issued by us and our affiliates. If the underwriters or their respective affiliates have a lending relationship with us, they routinely hedge their credit exposure to us consistent with their customary risk management policies. The underwriters and their respective affiliates may hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in our securities or the securities of our affiliates, including potentially the common stock offered hereby. Any such short positions could adversely affect future trading prices of the common stock offered hereby. The underwriters and certain of their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such securities or instruments and may at any time hold, or recommend to clients that they acquire, long and/or short positions in such securities and instruments.

## **Selling Restrictions**

### ***Australia***

This prospectus is not a disclosure document for the purposes of Australia's Corporations Act 2001 (Cth) of Australia, or Corporations Act, has not been lodged with the Australian Securities & Investments Commission and is only directed to the categories of exempt persons set out below. Accordingly, if you receive this prospectus in Australia:

You confirm and warrant that you are either:

- a "sophisticated investor" under section 708(8)(a) or (b) of the Corporations Act;
- a "sophisticated investor" under section 708(8)(c) or (d) of the Corporations Act and that you have provided an accountant's certificate to the Company which complies with the requirements of section 708(8)(c)(i) or (ii) of the Corporations Act and related regulations before the offer has been made;
- a person associated with the Company under Section 708(12) of the Corporations Act; or
- a "professional investor" within the meaning of section 708(11)(a) or (b) of the Corporations Act.

To the extent that you are unable to confirm or warrant that you are an exempt sophisticated investor, associated person or professional investor under the Corporations Act any offer made to you under this prospectus is void and incapable of acceptance.

You warrant and agree that you will not offer any of the securities issued to you pursuant to this prospectus for resale in Australia within 12 months of those securities being issued unless any such resale offer is exempt from the requirement to issue a disclosure document under section 708 of the Corporations Act.

### ***Canada***

#### ***Resale Restrictions***

The distribution of our common shares in Canada is being made only in the provinces of Ontario, Quebec, Alberta and British Columbia on a private placement basis exempt from the requirement that we prepare and file a prospectus with the securities regulatory authorities in each province where trades of these securities are made. Any resale of our common shares in Canada must be made under applicable securities laws which may vary depending on the relevant jurisdiction, and which may require resales to be made under available statutory exemptions or under

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a discretionary exemption granted by the applicable Canadian securities regulatory authority. Purchasers are advised to seek legal advice prior to any resale of the securities.

### *Representations of Canadian Purchasers*

By purchasing our common shares in Canada and accepting delivery of a purchase confirmation, a purchaser is representing to us and the dealer from whom the purchase confirmation is received that:

- the purchaser is entitled under applicable provincial securities laws to purchase the common shares without the benefit of a prospectus qualified under those securities laws as it is an “accredited investor” as defined under National Instrument 45-106—*Prospectus Exemptions*,
- the purchaser is a “permitted client” as defined in National Instrument 31-103—*Registration Requirements, Exemptions and Ongoing Registrant Obligations*,
- where required by law, the purchaser is purchasing as principal and not as agent, and
- the purchaser has reviewed the text above under “—Resale Restrictions.”

### *Conflicts of Interest*

Canadian purchasers are hereby notified that the underwriters are relying on the exemption set out in section 3A.3 or 3A.4, if applicable, of National Instrument 33-105—*Underwriting Conflicts* from having to provide certain conflict of interest disclosure in this document.

### *Statutory Rights of Action*

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if the prospectus (including any amendment thereto) such as this document contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser of our common shares in Canada should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

### *Enforcement of Legal Rights*

All of our directors and officers as well as the experts named herein may be located outside of Canada and, as a result, it may not be possible for Canadian purchasers to effect service of process within Canada upon us or those persons. All or a substantial portion of our assets and the assets of those persons may be located outside of Canada and, as a result, it may not be possible to satisfy a judgment against us or those persons in Canada or to enforce a judgment obtained in Canadian courts against us or those persons outside of Canada.

### *Taxation and Eligibility for Investment*

Canadian purchasers of our common shares should consult their own legal and tax advisors with respect to the tax consequences of an investment in our common shares in their particular circumstances and about the eligibility of our common shares for investment by the purchaser under relevant Canadian legislation.

Upon receipt of this document, each Canadian investor hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque investisseur canadien confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

### **European Economic Area**

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a “Relevant Member State”), an offer to the public of any common shares which are the subject of the offering contemplated by this prospectus may not be made in that Relevant Member State except that an offer to the

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public in that Relevant Member State of any common shares may be made at any time under the following exemptions under the Prospectus Directive, if they have been implemented in that Relevant Member State:

- to any legal entity which is a “qualified investor” as defined in the Prospectus Directive;
- to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive), as permitted under the Prospectus Directive, subject to obtaining the prior consent of the underwriters or the underwriters nominated by us for any such offer; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of common shares shall require us or any of the underwriters to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer common shares to the public” in relation to the common shares in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the common shares to be offered so as to enable an investor to decide to purchase or subscribe to the common shares, as the same may be varied in that Relevant Member State by any measure implementing the Prospectus Directive in that Relevant Member State and the expression “Prospectus Directive” means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State and the expression “2010 PD Amending Directive” means Directive 2010/73/EU.

### **Hong Kong**

No securities have been offered or sold, and no securities may be offered or sold, in Hong Kong, by means of any document, other than to persons whose ordinary business is to buy or sell shares or debentures, whether as principal or agent; or to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (“SFO”) and any rules made under that Ordinance; or in other circumstances which do not result in the document being a “prospectus” as defined in the Companies Ordinance (Cap. 32) of Hong Kong (“CO”) or which do not constitute an offer or invitation to the public for the purpose of the CO or the SFO. No document, invitation or advertisement relating to the securities has been issued or may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted under the securities laws of Hong Kong) other than with respect to securities which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under that Ordinance.

This prospectus has not been registered with the Registrar of Companies in Hong Kong. Accordingly, this prospectus may not be issued, circulated or distributed in Hong Kong, and the securities may not be offered for subscription to members of the public in Hong Kong. Each person acquiring the securities will be required, and is deemed by the acquisition of the securities, to confirm that he is aware of the restriction on offers of the securities described in this prospectus and the relevant offering documents and that he is not acquiring, and has not been offered any securities in circumstances that contravene any such restrictions.

### **Japan**

The offering has not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948 of Japan, as amended), or FIEL, and the Initial Purchaser will not offer or sell any securities, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan.

### **Singapore**

This prospectus has not been and will not be lodged or registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the common stock may not be circulated or distributed, nor may the

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common stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the common stock is subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the common stock pursuant to an offer made under Section 275 of the SFA except:

- to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- where no consideration is or will be given for the transfer;
- where the transfer is by operation of law;
- as specified in Section 276(7) of the SFA; or
- as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

### **Switzerland**

The securities may not be publicly offered in Switzerland and will not be listed on the SIX Swiss Exchange ("SIX") or on any other stock exchange or regulated trading facility in Switzerland. This prospectus has been prepared without regard to the disclosure standards for issuance prospectuses under art. 652a or art. 1156 of the Swiss Code of Obligations or the disclosure standards for listing prospectuses under art. 27 ff. of the SIX Listing Rules or the listing rules of any other stock exchange or regulated trading facility in Switzerland. Neither this prospectus nor any other offering or marketing material relating to the securities or the offering may be publicly distributed or otherwise made publicly available in Switzerland.

Neither this prospectus nor any other offering or marketing material relating to the offering, the Company or the securities have been or will be filed with or approved by any Swiss regulatory authority. In particular, this prospectus will not be filed with, and the offer of securities will not be supervised by, the Swiss Financial Market Supervisory Authority FINMA, and the offer of securities has not been and will not be authorized under the Swiss Federal Act on Collective Investment Schemes ("CISA"). The investor protection afforded to acquirers of interests in collective investment schemes under the CISA does not extend to acquirers of securities.

### **United Kingdom**

This prospectus is only being distributed to, and is only directed at, persons in the United Kingdom that are qualified investors within the meaning of Article 2(1)(e) of the Prospectus Directive that are also (i) investment professionals falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "Order") and/or (ii) high net worth entities falling within Article 49(2)(a) to (d) of the Order and other persons to whom it may lawfully be communicated (each such person being referred to as a "relevant person").

This prospectus and its contents are confidential and should not be distributed, published or reproduced (in whole or in part) or disclosed by recipients to any other persons in the United Kingdom. Any person in the United Kingdom that is not a relevant person should not act or rely on this document or any of its contents.

## LEGAL MATTERS

The validity of the shares of common stock offered by this prospectus will be passed upon for us by Goodwin Procter LLP. Certain legal matters relating to this offering will be passed upon for the underwriters by Latham & Watkins LLP.

## EXPERTS

The financial statements as of December 31, 2015 and 2016, included in this prospectus, have been audited by RSM US LLP, an independent registered public accounting firm, as stated in their report appearing herein. Such financial statements have been so included in reliance upon the report of such firm given upon their authority as experts in accounting and auditing.

## WHERE YOU CAN FIND MORE INFORMATION

We have filed with the SEC a registration statement on Form S-1 (File Number 333- ) under the Securities Act with respect to the common stock we are offering by this prospectus. This prospectus does not contain all of the information included in the registration statement. For further information pertaining to us and our common stock, you should refer to the registration statement and to its exhibits. Whenever we make reference in this prospectus to any of our contracts, agreements or other documents, the references are not necessarily complete, and you should refer to the exhibits attached to the registration statement for copies of the actual contract, agreement or other document.

Upon the completion of the offering, we will be subject to the informational requirements of the Exchange Act and will file annual, quarterly and current reports, proxy statements and other information with the SEC. You can read our SEC filings, including the registration statement, at the SEC's website at [www.sec.gov](http://www.sec.gov). You may also read and copy any document we file with the SEC at its public reference facility at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. We also maintain a website at [www.scpharmaceuticals.com](http://www.scpharmaceuticals.com). Upon completion of the offering, you may access, free of charge, our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports, as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC.

You may also obtain copies of the documents at prescribed rates by writing to the Public Reference Section of the SEC at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the operation of the public reference facilities.

SCPHARMACEUTICALS INC.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

To the Board of Directors and Stockholders  
scPharmaceuticals Inc.

We have audited the accompanying balance sheets of scPharmaceuticals Inc., (the Company) as of December 31, 2015 and 2016, and the related statements of operations, convertible preferred stock and stockholders' deficit, and cash flows for the years then ended (collectively, the financial statements). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the auditing 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of scPharmaceuticals Inc., as of December 31, 2015 and 2016, 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.

*RSM US LLP*

Boston, Massachusetts

April 17, 2017, except for Note 3 as to which the date is August 30, 2017

## SCPHARMACEUTICALS INC.

## Balance Sheets

(in thousands, except share and per share data)

	DECEMBER 31, 2015	DECEMBER 31, 2016
<b>Assets</b>		
Current assets		
Cash	\$ 1,573	\$ 39,282
Prepaid expenses	126	101
VAT receivable	104	349
Other current assets	15	8
Total current assets	1,818	39,740
Property and equipment, net	23	26
Deposits and other assets	5	6
Total assets	<u>\$ 1,846</u>	<u>\$ 39,772</u>
<b>Liabilities, Convertible Preferred Stock, and Stockholders' Deficit</b>		
Current liabilities		
Accounts payable	\$ 684	\$ 1,546
Accrued expenses	1,293	2,178
Other current liabilities	28	12
Total current liabilities	2,005	3,736
Other liabilities	8	7
Total liabilities	<u>2,013</u>	<u>3,743</u>
Commitments and contingencies (Note 11)		
Series A convertible preferred stock; \$0.0001 par value; 25,749,471 shares authorized at December 31, 2016; 17,565,679 and 25,749,471 shares issued and outstanding at December 31, 2015 and December 31, 2016, respectively; liquidation preference of \$25,749 at December 31, 2016	18,073	26,502
Series B convertible preferred stock; \$0.0001 par value; 46,962,784 shares authorized at December 31, 2016; 0 and 46,962,784 shares issued and outstanding at December 31, 2015 and December 31, 2016, respectively; liquidation preference of \$46,963 at December 31, 2016	—	46,601
Stockholders' Deficit		
Common stock; \$0.0001 par value; 95,000,000 shares authorized at December 31, 2016; 5,927,834 and 7,683,461 issued and outstanding at December 31, 2015 and December 31, 2016, respectively	1	1
Additional paid-in capital	581	6,124
Accumulated deficit	(18,822)	(43,199)
Total stockholders' deficit	(18,240)	(37,074)
Total liabilities, convertible preferred stock, and stockholders' deficit	<u>\$ 1,846</u>	<u>\$ 39,772</u>

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



**SCPHARMACEUTICALS INC.**  
**Statements of Operations**  
(in thousands, except share and per share data)

	FOR THE YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2016
Operating expenses:		
Research and development	\$ 8,267	\$ 11,856
General and administrative	2,577	6,054
Total operating expenses	<u>10,844</u>	<u>17,910</u>
Loss from operations	(10,844)	(17,910)
Fair value adjustments to Series A purchase rights	394	—
Other (expense) income	(68)	38
Interest income	—	7
Interest expense	—	(6,512)
Net loss	<u>\$ (10,518)</u>	<u>\$ (24,377)</u>
Net loss per share, basic and diluted	<u>\$ (1.92)</u>	<u>\$ (3.48)</u>
Weighted—average common shares outstanding, basic and diluted	<u>5,479,296</u>	<u>6,998,254</u>
Pro forma net loss per share, basic and diluted (unaudited)		<u>\$ (0.85)</u>
Pro forma weighted—average common shares outstanding, basic and diluted (unaudited)		<u>28,647,927</u>

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

**SCPHARMACEUTICALS INC.**  
**Statements of Convertible Preferred Stock and Stockholders' Deficit**  
(in thousands, except share data)

	CONVERTIBLE PREFERRED STOCK				STOCKHOLDERS' DEFICIT				
	SERIES A		SERIES B		COMMON STOCK		ADDITIONAL PAID-IN CAPITAL	ACCUMULATED DEFICIT	TOTAL STOCKHOLDERS' DEFICIT
	SHARES	AMOUNT	SHARES	AMOUNT	SHARES	AMOUNT			
<b>At December 31, 2014</b>	9,565,679	\$ 8,423	—	\$ —	5,083,126	\$ 1	\$ 189	\$ (8,304)	\$ (8,114)
Net loss	—	—	—	—	—	—	—	(10,518)	(10,518)
Issuance of Series A convertible preferred stock, net of costs of \$7	8,000,000	9,650	—	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	—	—	62,690	—	3	—	3
Vesting of restricted stock	—	—	—	—	782,018	—	10	—	10
Stock-based compensation	—	—	—	—	—	—	379	—	379
<b>At December 31, 2015</b>	17,565,679	18,073	—	—	5,927,834	1	581	(18,822)	(18,240)
Net loss	—	—	—	—	—	—	—	(24,377)	(24,377)
Beneficial conversion features on convertible notes payable	—	—	—	—	—	—	4,653	—	4,653
Conversion of convertible notes payable to Series A convertible preferred stock	8,183,792	8,429	—	—	—	—	—	—	—
Conversion of convertible notes payable to Series B convertible preferred stock	—	—	5,962,784	5,963	—	—	—	—	—
Issuance of Series B convertible preferred stock, net of costs of \$362	—	—	41,000,000	40,638	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	—	—	63,896	—	1	—	1
Vesting of restricted stock	—	—	—	—	1,691,731	—	13	—	13
Stock-based compensation	—	—	—	—	—	—	876	—	876
<b>At December 31, 2016</b>	<u>25,749,471</u>	<u>\$26,502</u>	<u>46,962,784</u>	<u>\$46,601</u>	<u>7,683,461</u>	<u>\$ 1</u>	<u>\$ 6,124</u>	<u>\$ (43,199)</u>	<u>\$ (37,074)</u>

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

## SCPHARMACEUTICALS INC.

## Statements of Cash Flows

(in thousands)

	FOR THE YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2016
<b>Cash flows from operating activities</b>		
Net loss	\$ (10,518)	\$ (24,377)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	4	5
Stock-based compensation	379	876
Non-cash interest expense	—	6,512
Fair value adjustments to Series A purchase rights	(394)	—
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(85)	(214)
Accounts payable, accrued expenses and other liabilities	974	1,743
Net cash flows used in operating activities	(9,640)	(15,455)
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	(17)	(9)
Net cash flows used in investing activities	(17)	(9)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of Series B convertible preferred stock	—	41,000
Costs related to issuance of Series B convertible preferred stock	—	(362)
Proceeds from issuance of Series A convertible preferred stock and purchase rights	8,000	—
Costs related to issuance of Series A convertible preferred stock and purchase rights	(7)	—
Proceeds from issuance of convertible notes	—	12,600
Costs related to issuance of convertible notes	—	(66)
Proceeds from the early exercise of stock options	30	—
Proceeds from the exercise of vested stock options	3	1
Purchase of restricted stock	(9)	—
Net cash flows provided by financing activities	8,017	53,173
Net (decrease) increase in cash	(1,640)	37,709
Cash, beginning of year	3,213	1,573
Cash, end of year	\$ 1,573	\$ 39,282
<b>Supplemental disclosure of non-cash activities</b>		
Conversion of convertible notes into Series A convertible preferred stock, including accrued interest	\$ —	\$ 8,429
Conversion of convertible notes into Series B convertible preferred stock, including accrued interest	—	5,963
Beneficial conversion feature of convertible notes	—	4,653
Vesting of restricted stock	(10)	(13)
Reclassification of Series A purchase rights to Series A convertible preferred stock	1,657	—

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

**SCPHARMACEUTICALS INC.**

**Notes to Financial Statements**

For the Years Ended December 31, 2015 and 2016

**1. Description of Business and Basis of Presentation**

**Description of Business**

scPharmaceuticals LLC was formed as a Limited Liability Company under the laws of the State of Delaware on February 19, 2013. On March 24, 2014, scPharmaceuticals LLC was converted to a Delaware Corporation and changed its name to scPharmaceuticals Inc. ("the Company"). The Company is a biopharmaceutical company developing a portfolio of transformative pharmaceutical products. The Company is currently developing two products using its sc2Wear Infusor, subcutaneous furosemide and a cephalosporin antibiotic for subcutaneous administration. The Company's headquarters and primary place of business is Lexington, Massachusetts.

**Basis of Presentation**

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") and have been prepared on a basis which assumes that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

At December 31, 2016, the Company had cash of \$39.3 million, and working capital of \$36.0 million. During the year ended December 31, 2016, the Company incurred a net loss totaling \$24.4 million and used cash in operating activities totaling \$15.5 million. The Company expects to continue to incur losses and use cash in operating activities in 2017.

The Company has incurred significant losses since its inception and has financed its operations primarily through convertible notes and the sale of equity. The Company believes that, based on its current development plans and activities, its cash balance of \$39.3 million as of December 31, 2016 will be sufficient to satisfy its liquidity requirements for more than one year from the issuance date of these financial statements. The Company continues to monitor the development and regulatory path of its product portfolio and is prepared to discontinue conducting and funding any activities not required to ensure the successful filing and approval of its first product candidate, subcutaneous furosemide. Costs associated with the Company's research and development program include contract services, consulting, salaries, materials and supplies and overhead. Pre-commercial activities are discretionary, and as such, the Company will continue to adjust its spending as needed to preserve capital.

**2. Significant Accounting Policies**

**Use of Estimates**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reported periods. Significant items subject to such estimates and assumptions include accruals related to development costs and clinical activities, valuation of stock options used for the calculation of stock-based compensation, assumptions used in the determination of the fair value of the Series A purchase rights liability, valuation of common and preferred stock used in the determination of the beneficial conversion feature of convertible notes and preferred stock, and the establishment of the tax valuation allowance. Actual results could differ from those estimates.

**Foreign Currency Transactions**

The functional currency of the Company is the U.S. dollar. Accordingly, gains and losses resulting from translating transactions denominated in currencies and balances of assets and liabilities outstanding at the balance sheet date, other than U.S. dollars, are included in net loss in the Statements of Operations.

**Cash**

The Company places its cash with institutions with high credit quality. However, at certain times such cash may be in excess of Federal Deposit Insurance Corporation and Securities Investor Protection Corporation insurance limits. The Company has not experienced any losses with respect to these accounts.

### **Research and Development Costs**

Research and development costs are expensed as incurred. Nonrefundable advance payments, if any, for goods or services used in research and development are initially recorded as an asset and then recognized as an expense as the related goods are delivered or services are performed. Research and development expenses include contract services, consulting, salaries, materials and supplies and overhead.

### **Fair Value Measurements**

The Financial Accounting Standards Board ("FASB") Accounting Standard Codification ("ASC") Topic, *Fair Value Measurements and Disclosures* ("ASC 820"), provides a fair value hierarchy, which classifies fair value measurements based on the inputs used in measuring fair value. Observable inputs are inputs that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the inputs that market participants would use in pricing the asset or liability, and are developed based on the best information available in the circumstances. The fair value hierarchy applies only to the valuation inputs used in determining the reported fair value of the investments and is not a measure of the investment credit quality. The three levels of the fair value hierarchy are described below:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2—Valuations based on quoted prices for similar assets or liabilities in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3—Valuations that require inputs that reflect the Company's own assumptions that are both significant to the fair value measurement and observable.

To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Company in determining fair value is greatest for instruments categorized in Level 3. A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Items measured at fair value on a recurring basis include Series A purchase rights (Note 8). The carrying values of the Company's cash, prepaid expenses, VAT receivable and deposits approximate their fair values due to their short term nature.

### **Income Taxes**

Prior to March 24, 2014, the Company was a limited liability company and was treated as a partnership for income tax purposes; as such, the Company was only subject to certain minimal taxes and fees, however, income taxes on taxable income or losses realized by the Company was the obligation of its members. Since incorporation, in 2014, the Company accounts for income taxes in accordance with the ASC 740, *Income Taxes*. Deferred tax assets and liabilities are recorded to reflect the impact of temporary differences between amounts of assets and liabilities for financial reporting purposes and such amounts as measured under enacted tax laws. A valuation allowance is required to offset any net deferred tax assets if, based upon the available evidence, it is more likely than not that some or all of the deferred tax asset will not be realized.

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions. The tax benefits recorded 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 uncertainty related to the tax benefit, assuming that the matter in question will be raised by the tax authorities. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense. At December 31, 2016, the Company had not identified any significant uncertain tax positions.

### **Stock-Based Compensation**

Stock-based compensation expense is recognized based on the grant-date fair value using the Black-Scholes valuation model. The Company recognizes compensation expense only for those stock-based awards expected to vest after considering expected forfeitures. Cumulative compensation expense is at least equal to the compensation

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expense for vested awards. Stock-based compensation is recognized on a straight-line basis over the service period of each award. Stock compensation costs have not been capitalized by the Company.

The Company accounts for stock-based awards issued to non-employees by recognizing compensation expense based on the fair value of such awards when the services are completed over the vesting period of the award.

### **Segments**

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 ("CODM") in making decisions regarding resource allocation and assessing performance. The Company's chief executive officer is the CODM, and he uses consolidated financial information in determining how to allocate resources and assess performance. The Company has determined that it operates in one segment. All of the Company's assets are located in the United States.

### **Recently Issued Accounting Standards**

In August 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-15, Presentation of Financial Statements—Going Concern (Subtopic 205-40) ("ASU 2014-15"). ASU 2014-15 provides guidance on determining when and how to disclose going concern uncertainties in the financial statements. The new standard requires management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. An entity must provide certain disclosures if conditions or events raise substantial doubt about the entity's ability to continue as a going concern. This accounting update is effective for annual and interim periods ending after December 15, 2016, with early adoption permitted. The Company adopted this standard as of January 1, 2016 and there was no impact to the financial statement presentation.

In April 2015, the FASB issued ASU No. 2015-03, Interest—Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs ("ASU 2015-03"). This update requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for financial statements issued for annual and interim periods beginning after December 15, 2015 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2015 and interim periods within fiscal years beginning after December 15, 2016. The Company adopted this standard as of January 1, 2016 and there was no impact to the financial statement presentation.

In November 2015, the FASB issued ASU No. 2015-17, Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes ("ASU 2015-17"), which simplifies the presentation of deferred income taxes. The amendments in this update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. This accounting update is effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Earlier application is permitted for any interim and annual financial statements that have not yet been issued. The Company has early adopted ASU 2015-17 effective December 31, 2016 on a prospective basis. Adoption of ASU 2015-17 had no impact to the Company's balance sheet as of December 31, 2016. Reclassification was not required given that the Company had a full valuation allowance. No prior periods were retrospectively adjusted.

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-02"). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for financial statements issued for annual and interim periods beginning after December 15, 2018 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is still evaluating whether the adoption of this pronouncement will have a material impact on its financial statements.

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In March 2016, the FASB issued ASU No. 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (“ASU 2016-06”). This new standard simplifies the embedded derivative analysis for debt instruments containing contingent call or put options by removing the requirement to assess whether a contingent event is related to interest rates or credit risks. ASU 2016-06 is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is still evaluating whether the adoption of this pronouncement will have a material impact on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). This new standard requires recognition of the income tax effects of vested or settled awards in the income statement and involves several other aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company is still evaluating whether the adoption of this pronouncement will have a material impact on its financial statements.

### **3. Net Loss per Share and (Unaudited) Pro Forma Net Loss per Share**

#### ***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 dilutive common stock equivalents. Diluted net loss per share is the same as basic net loss per common share, since the effects of potentially dilutive securities are anti-dilutive.

Dilutive common stock equivalents are comprised of convertible preferred stock, unexercised stock options outstanding under the Company’s equity plan and unvested restricted stock.

The following table sets forth the computation of basic and diluted net loss per share of common stock (in thousands, except shares and per share data):

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	FOR THE YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2016
Net loss	\$ (10,518)	\$ (24,377)
Weighted—average common shares outstanding, basic and diluted	5,479,296	6,998,254
Net loss per share, basic and diluted	\$ (1.92)	\$ (3.48)

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The following table sets forth the outstanding potentially dilutive securities that have been excluded in the calculation of diluted net loss per share because their inclusion would be anti-dilutive (in common stock equivalent shares):

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	FOR THE YEAR ENDED	
	DECEMBER 31, 2015	DECEMBER 31, 2016
Convertible preferred stock, on an as-converted basis	17,565,679	72,712,255
Stock options to purchase common stock	1,439,958	3,191,062
Unvested restricted stock	1,728,026	36,295
	<u>20,733,663</u>	<u>75,939,612</u>

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[Table of Contents](#)**Unaudited Pro Forma Information**

The unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the year ended December 31, 2016 has been prepared to give effect, upon the closing of a qualified firm commitment underwritten public offering in which the Company sells shares of its common stock at a price to the public of at least \$2.50 per share, and resulting in at least \$50.0 million of gross proceeds to the Company, to the conversion of all outstanding shares of convertible preferred stock into shares of common stock as if the proposed initial public offering had occurred on the later of January 1, 2016 or the issuance date of the convertible preferred stock.

The following table summarizes our pro forma net loss per share (in thousands, except share and per share data):

	<b>FOR THE YEAR ENDED DECEMBER 31, 2016 (unaudited)</b>
<b>Numerator:</b>	
Net loss and pro forma net loss	\$ (24,377)
<b>Denominator:</b>	
Weighted—average common shares outstanding, basic and diluted	6,998,254
Pro forma adjustments to reflect assumed conversion of convertible preferred stock	21,649,673
Pro forma weighted—average common shares outstanding, basic and diluted	<u>28,647,927</u>
Pro forma net loss per share, basic and diluted	<u>\$ (0.85)</u>

**4. Property and Equipment**

Property and equipment consist of the following as of December 31, (dollars in thousands):

	<b>ESTIMATED USEFUL LIFE</b>	<b>2015</b>	<b>2016</b>
Office equipment	5 years	\$ 10	\$ 10
Computer equipment	3 years	—	8
Leasehold improvements	Life of lease	17	17
		27	35
Less: Accumulated depreciation		(4)	(9)
Property and equipment, net		<u>\$ 23</u>	<u>\$ 26</u>

Depreciation expense for the periods ended December 31, 2015 and 2016 was \$4,000 and \$5,000, respectively.

**5. Accrued Expenses**

Accrued expenses at December 31 consist of (in thousands):

	<b>2015</b>	<b>2016</b>
Contract research and development	\$ 730	\$1,567
Financing related costs	—	303
Consulting and professional service fees	247	170
Employee compensation and related costs	307	85
Other	9	53
Total accrued expenses	<u>\$1,293</u>	<u>\$2,178</u>



## 6. Income Taxes

As discussed in Note 1, prior to March 24, 2014, the Company was a Delaware limited liability company which was treated as a partnership for income tax purposes and was subject to certain minimal taxes and fees; however, income taxes on taxable income or losses realized by the Company were the obligation of the members.

The Company accounts for income taxes in accordance with ASC 740, *Income Taxes* ("ASC 740"), which requires an asset and liability approach for measuring deferred taxes based on temporary differences between the financial statements and tax bases of assets and liabilities existing at each balance sheet date using enacted tax rates for the years in which taxes are expected to be paid or recovered. The tax benefit arising from the Company's net loss has been offset by an increase in the valuation allowance.

Accordingly, the Company had no net income tax provision or benefit during the periods ended December 31, 2015 and 2016. Components of the net deferred tax asset at December 31, 2015 and 2016 are as follows (in thousands):

	2015	2016
Federal net operating loss carryforwards	\$ 1,164	\$ 3,014
State net operating loss carryforwards	182	436
Research and development tax credits	378	663
Accrued liabilities	112	32
Depreciation and amortization	19	18
Capitalized research and development costs	5,109	9,670
Other	66	103
	7,030	13,936
Valuation allowance	(7,030)	(13,936)
Net deferred tax asset	<u>\$ —</u>	<u>\$ —</u>

At December 31, 2016, the Company had available federal net operating loss carryforwards of \$9.1 million that expire at various dates through 2036. The federal net operating loss includes excess benefits related to the exercise of stock options of \$0.2 million that when utilized will be recorded through retained earnings. In assessing the realizability of net deferred tax assets, management considers whether it is more likely than not that the net deferred tax assets will be realized. The ultimate realization of net deferred tax assets is dependent upon the generation of future taxable income during the periods in which temporary differences representing future deductible amounts become deductible. Management has established a full valuation allowance against the net deferred tax assets at December 31, 2015 and 2016 since it is more likely than not that these future tax benefits will not be realized. During 2016, the valuation allowance increased by \$6.9 million.

At December 31, 2016, the Company had federal and state research and development credit carryforwards of \$0.6 million and \$0.2 million, respectively. The net credit carryforwards may be used to offset future income taxes and expire at various dates through 2036. Changes in the Company's ownership, as defined in the U.S. Internal Revenue Code, may limit the Company's ability to utilize the tax credit and net operating loss carryforwards.

The Company files tax returns in the United States, Massachusetts and other states. The tax years 2014 through 2016 remain open to examination by major taxing jurisdictions to which the Company is subject, which are primarily the United States federal and Massachusetts, as carryforward attributes generated in years past may still be adjusted upon examination by the Internal Revenue Service or state tax authorities if they have or will be used in a future period. The Company is currently not under examination by the Internal Revenue Service or any other jurisdictions for any tax years. The Company recognizes both accrued interest and penalties related to unrecognized benefits in income tax expense. The Company has not recorded any interest or penalties on any unrecognized tax benefits since its inception. The Company does not believe material uncertain tax positions have arisen to date, and as a result, no material reserves for these matters have been recorded.

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A reconciliation of income tax (expense) benefit at the statutory federal income tax rate and income taxes as reflected in the financial statements at December 31, 2015 and 2016 are as follows:

	<u>2015</u>	<u>2016</u>
Federal income tax at statutory rate	34.00%	34.00%
State income tax, net of federal benefit	5.28%	3.46%
Research and development credits	3.14%	1.46%
Book compensation related to stock options	(0.87)%	(0.93)%
Change in income tax rate	(0.03)%	(0.18)%
Fair value adjustments to Series A purchase rights	1.27%	—
Non-cash interest	—	(9.08)%
Other	(1.51)%	(0.40)%
Increase in valuation allowance	(41.28)%	(28.33)%
Effective tax rate	<u>—%</u>	<u>—%</u>

## 7. Stock-Based Compensation

### Stock Options

The Company's 2014 Stock Incentive Plan (the "2014 Stock Plan") became effective in March 2014 and will expire in March 2024. Under the 2014 Stock Plan, the Company may grant incentive stock options, non-statutory stock options, restricted stock awards and other stock-based awards. The Company's 2013 LLC Unit Option Plan (the "2013 Stock Plan") was terminated in March 2014 effective upon the conversion of scPharmaceuticals LLC to scPharmaceuticals Inc. and all unit options were converted to options under the 2014 Stock Plan. No further unit options will be granted under the 2013 Stock Plan.

As of December 31, 2016, there were 9,070,046 shares of the Company's common stock authorized for issuance under the 2014 Stock Plan.

At December 31, 2016, there were 5,532,500 options available for issuance and 3,191,062 options outstanding under the 2014 Stock Plan. Options granted under the 2014 Plan have a term of ten years. Vesting of options under the 2014 Stock Plan is determined by the board of directors, but is generally a four-year term.

The fair value of options at date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	<u>2015</u>	<u>2016</u>
Risk-free interest rate	1.66%—1.85%	1.08%—1.58%
Expected dividend yield	0%	0%
Expected life	6.00—6.1 years	6.0—6.4 years
Expected volatility	73%—80%	86%—93%
Weighted-average grant date fair value	\$0.88	\$0.91

The Company does not have a history of market prices of its common stock as it is not a public company and, as such, volatility was estimated using historical volatilities of similar companies. The expected life of the awards is estimated based on the simplified method, which calculates the expected life based upon the midpoint of the term of the award and the vesting period. The Company uses the simplified method because it does not have sufficient option exercise data to provide a reasonable basis upon which to estimate the expected term. The Company has no history of paying dividends nor does management expect to pay dividends over the contractual terms of these options. The risk-free interest rates are based on the United States Treasury yield curve in effect at the time of grant, with maturities approximating the expected life of the stock options.

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The following table summarizes information about stock option activity during 2015 and 2016 (in thousands, except share and per share data):

	NUMBER OF SHARES	WEIGHTED- AVERAGE EXERCISE PRICE	WEIGHTED- AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
Outstanding, December 31, 2014	944,488	\$ 0.14		
Granted	919,567	1.19		
Exercised	(164,097)	0.20		
Forfeited	(260,000)	1.13		
Outstanding, December 31, 2015	1,439,958	\$ 0.63		
Granted	1,830,000	1.22		
Exercised	(63,896)	0.01		
Forfeited	(15,000)	1.23		
Outstanding, December 31, 2016	<u>3,191,062</u>	<u>\$ 0.97</u>	8.66	\$ 435
Vested and exercisable, December 31, 2016	728,380	\$ 0.50	7.56	\$ 296
Vested and expected to vest, December 31, 2016	<u>2,815,394</u>	<u>\$ 0.93</u>	8.56	\$ 450

During 2015 and 2016, the Company received \$33,000 and \$1,000, respectively, upon exercise of stock options. The intrinsic value of the options exercised in 2015 and 2016 was \$177,000 and \$64,000, respectively. Among those options exercised, 101,407 were exercised prior to vesting in 2015. These shares are held under restricted stock agreements and will vest according to the provisions under the original stock option agreements. The cash received upon early exercise of options, \$30,000 in 2015, was recorded as a deposit liability on the Company's balance sheet and will be relieved and recorded as common stock and additional paid in capital as the shares vest. The Company repurchased 37,500 unvested restricted stock shares in 2015 for \$9,000. The deposit liability as of December 31, 2016 was \$8,000.

Unrecognized compensation expense related to unvested awards as of December 31, 2016 was \$1.5 million and will be recognized over the remaining vesting periods of the underlying awards. The weighted-average period over which such compensation is expected to be recognized is 3.18 years.

### **Restricted Stock**

At the time of the Company's conversion from a Limited Liability Company to a Delaware Corporation in 2014, the Company imposed restrictions on 5,898,618 shares of common stock owned by a founder ("2014 Restricted Stock Awards"). The terms of the restrictions allowed for 50% of the shares to vest immediately, with the remainder of the shares vesting over 3 years. The initial vesting of the shares was deemed to be non-substantive for accounting purposes, as there was no service required for the lapse of the restrictions. The fair value of the common stock at the time of the restrictions was \$0.23.

In May 2016, the Company terminated its right to repurchase the remaining unvested shares of the 2014 Restricted Stock Awards, thereby causing all unvested shares to become vested and any unrecognized compensation to be accelerated. During the years ended December 31, 2015 and 2016, \$0.2 million and \$0.4 million respectively, was recognized as compensation expense for the vesting of the 2014 Restricted Stock Awards.

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A summary of the status of unvested 2014 Restricted Stock Awards as of December 31, 2015 and 2016 and changes during the periods then ended, is presented below:

	UNVESTED SHARES	WEIGHTED- AVERAGE GRANT-DATE FAIR VALUE PER SHARE
Unvested at December 31, 2014	2,396,137	\$ 0.23
Vested	(737,563)	0.23
Unvested at December 31, 2015	1,658,574	0.23
Vested	(1,658,574)	0.23
Unvested at December 31, 2016	—	—

## 8. Fair Value of Financial Instruments

The following fair value hierarchy table presents information about each major category of our financial liabilities measured at fair value on a recurring basis (in thousands):

	TOTAL	QUOTED PRICES IN ACTIVE MARKETS (LEVEL 1)	SIGNIFICANT OTHER OBSERVABLE INPUTS (LEVEL 2)	SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)
Liabilities:				
December 31, 2014				
Series A purchase rights	\$2,051	\$ —	\$ —	\$ 2,051
Total	<u>\$2,051</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,051</u>

In March 2014, the Company entered into a Series A Preferred Stock Purchase Agreement ("Series A Preferred SPA"), which authorized the sale of up to 16,000,000 shares of convertible preferred stock in two equal and separate tranches, the Initial Closing and the Milestone Closing. The Initial Closing occurred immediately and the Company issued 8,000,000 shares of Series A convertible preferred stock (Note 10). Provided that the Company achieved the milestones required to execute the Milestone Closing, the Company would issue an additional 8,000,000 shares of Series A convertible preferred stock. On April 8, 2015, the Company closed the second tranche related to the Milestone Closing, issuing the additional 8,000,000 shares of Series A convertible preferred stock.

The purchase rights were legally separable and exercisable apart from the Series A convertible preferred stock issued in the Initial Closing and, because representatives of the Series A holders hold a majority of the seats on the board of directors, the decision to complete the Milestone Closing was deemed to be outside the control of the Company. Accordingly, the Company concluded that the purchase rights represent a separate financial instrument that pursuant to ASC 480, *Distinguishing Liabilities from Equity*, must be separately accounted for at fair value. The Company therefore recorded, at the time of entry into the Series A Preferred SPA, a Series A purchase right liability of \$1.0 million for the fair value of the Company's obligation to sell the Series A convertible preferred stock in the Milestone Closing. The Series A purchase right liability was valued using the Black-Scholes option-pricing method to assign a value to the purchase right given the probability of milestone completion as of the valuation date. The value allocated to the Series A purchase rights reduced the amount allocated to the carrying value of the Series A convertible preferred stock on the Company's balance sheet.

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The significant assumptions used as inputs in the Black-Scholes valuation for the year ended December 31, 2014 were as follows:

	DATE OF ISSUANCE	DECEMBER 31, 2014
Stock price	\$0.88	\$1.16
Years to maturity	0.52	0.25
Risk-free interest rate	0.14%	0.04%
Volatility	66%	76%

The most significant and judgmental inputs driving the Company's Series A purchase rights are the assumptions regarding the fair value of the underlying preferred shares, the volatility factor and the probability of achieving the milestones required to execute the Milestone Closing. With all other inputs constant, an increase or decrease in the assumed fair value of the preferred shares would result in a higher or lower estimate of the fair value of the Series A purchase rights, respectively, although there would not be a direct correlation. Similarly, an increase or decrease in the assumed volatility factor would result in a higher or lower estimate of the fair value of the Series A purchase rights, respectively. Finally, an increase or decrease in the probability of achieving the milestones results in a higher or lower estimate of the fair value of the Series A purchase rights, respectively. The increase or decrease is more significant the further away from the maturity date of the Milestone Closing.

Immediately prior to the Milestone Closing, on April 7, 2015, the Company calculated the fair value of the Series A purchase rights to be \$1.7 million using the Black-Scholes option-pricing method. The significant assumptions used as inputs in the Black-Scholes valuation on April 7, 2015 were as follows:

Stock price	\$1.21
Years to maturity	0
Risk-free interest rate	0.02%
Volatility	42%

The fair value of the Series A purchase rights exercised was reclassified to Series A convertible preferred stock on the Company's balance sheet.

The Company reports the change in fair value during each period as a non-operating gain or loss recorded as a component of other (expense) income in the statement of operations. The table presented below is a summary of changes in the fair value of the Company's Level 3 valuation for the Series A purchase rights for the year ended December 31, 2015 (in thousands):

Beginning balance as of December 31, 2014	\$ 2,051
Change in fair value during period	(394)
Fair value of Series A purchase rights exercised	(1,657)
Ending balance as of December 31, 2015	\$ —

## 9. Convertible Notes

On January 21, 2016, the Company executed a Convertible Note Purchase Agreement ("the January 2016 Convertible Note Purchase Agreement") under which the Company was authorized to issue \$7.5 million in convertible promissory notes in an initial closing, subsequent closing and a second closing tied to the achievement of development milestones. The initial closing occurred on January 21, 2016 whereby the Company issued \$3.0 million of convertible notes pursuant to the January 2016 Convertible Note Purchase Agreement.

In January and February 2016, the Company issued \$0.7 million of additional convertible notes as part of the subsequent closing to the January 2016 Convertible Note Purchase Agreement.

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The Company achieved the development milestones in May 2016 and, as such, was able to draw on the second closing of the January 2016 Convertible Note Purchase Agreement.

In May and June 2016, the Company issued \$3.7 million of additional convertible notes as part of the second closing to the January 2016 Convertible Note Purchase Agreement.

On July 1, 2016, the Company executed the First Amendment to Note Purchase Agreement which replaced the principal amount of notes to which Company could issue with \$8.2 million. On July 7, 2016, the Company issued \$0.6 million of additional convertible notes under the First Amendment to Note Purchase Agreement.

Principal and interest on all note issuances under the January 2016 Convertible Note Purchase Agreement, which accrued at a rate of 8% per annum, was due and payable upon the earlier of written demand by holders of the requisite noteholders any time on or after January 21, 2017, unless earlier converted upon automatic conversion at (i) a "Qualified Equity Financing" where such transaction results in the Company having raised gross proceeds of at least \$15.0 million or (ii) a "Qualified IPO" where the Company sells shares of common stock to investors at a price per share equal to at least \$3.00 and gross proceeds to the Company of at least \$35.0 million, or upon optional conversion at (i) a "Non-Qualified Equity Financing" or (ii) a "Non-Qualified IPO" or upon the sale of the Company.

Certain of the conversion features of the notes under the January 2016 Convertible Note Purchase Agreement allowed holders to convert principal and interest on each issuance into shares of the Company at a discount. The conversion price was equal to eighty percent (80%) of the per share price at which shares of equity financing securities or common stock are to be sold.

Based on the terms of the notes under the January 2016 Convertible Note Purchase Agreement and the Company's assessment that conversion of the notes prior to maturity in a "Qualified Equity Financing" was the predominant feature, the Company determined that the notes were share-settled debt, and as such accreted the notes over their term, to the value of the preferred stock into which the notes would be converted, \$9.9 million, recognizing accretion to the redemption value through the date the convertible notes were converted as interest expense.

Upon maturity, the noteholders have the option to convert any outstanding principal and accrued but unpaid interest into shares of Series A convertible preferred stock at a purchase price equal to \$1.00. This embedded conversion feature meets the definition of a beneficial conversion feature and was recognized by allocating a portion of the proceeds equal to the intrinsic value of the beneficial conversion feature measured at the commitment date, or \$4.7 million, to additional paid in capital. The accretion of the beneficial conversion feature was recognized through the date the convertible notes were converted as interest expense.

The Company allocated \$38,000 in transaction costs as a discount to the notes.

On August 22, 2016, the Company executed the Second Amendment to Note Purchase Agreement and Election to Convert. This amendment added a conversion option to convert the outstanding principal and accrued but unpaid interest into Series A convertible preferred stock at a purchase price equal to \$1.00. At that time, the convertible notes, plus accrued interest, converted into 8,183,792 shares of Series A convertible preferred stock pursuant to the new redemption feature (Note 10).

The amendment was treated as an extinguishment of debt which required the carrying value of the debt to be derecognized and the fair value of the debt to be recognized as new debt. At the amendment date, the carrying value of the debt included principal of \$8.0 million, and accrued interest, accretion to the redemption value, and accretion of the beneficial conversion feature of \$0.2 million, \$0.9 million, and \$2.1 million, respectively. Additionally, the unamortized beneficial conversion feature of \$2.6 million was allocated to the carrying value of the debt and the fair value of the new debt was established at \$8.4 million. The intrinsic value of the beneficial conversion feature was measured at the amendment date, \$0.3 million, and recorded as a reduction in additional paid in capital. The loss on extinguishment of \$1.8 million was recorded as interest expense.

On August 22, 2016, the Company executed a Note Purchase Agreement ("the August 2016 Note Purchase Agreement") under which the Company was authorized to issue \$10.0 million in convertible promissory notes in an initial closing, second closing, third closing, and subsequent closings. The second closing was subject to the second

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closing development milestone. The third closing was subject to the third closing development milestone. The subsequent closings had to occur on or before the occurrence of the third closing.

The initial closing occurred on August 22, 2016 whereby the Company issued \$4.0 million of convertible notes pursuant to the August 2016 Note Purchase Agreement.

In September 2016, the Company issued \$0.7 million of additional convertible notes as part of the subsequent closing to the August 2016 Note Purchase Agreement.

Principal and interest on all note issuances under the August 2016 Note Purchase Agreement, which accrued at a rate of 8% per annum, was due and payable upon the earlier of written demand by holders of the requisite noteholders any time on or after August 22, 2017, unless sooner accelerated upon automatic conversion at (i) a "Qualified Equity Financing" where such transaction results in the Company having raised gross proceeds of at least \$25.0 million or (ii) a "Qualified IPO" where the Company sells shares of common stock to investors at a price per share equal to at least \$3.00 and gross proceeds to the Company of at least \$40.0 million, or upon optional conversion at (i) a "Non-Qualified Equity Financing" or (ii) a "Non-Qualified IPO" or upon the sale of the Company.

Certain of the conversion features of the notes under the August 2016 Note Purchase Agreement allowed holders to convert principal and interest on each issuance into shares of the Company at a discount. For the Qualified Equity Financing, the conversion price was equal to ninety percent (90%), if converted before the 60<sup>th</sup> day following the initial closing, or eighty percent (80%), thereafter, of the per share price at which shares of equity financing securities or common stock are to be sold. For all other applicable conversion features, the conversion price was equal to eighty percent (80%) of the per share price.

Based on the terms of the notes under the August 2016 Convertible Note Purchase Agreement and the Company's assessment that conversion of the notes prior to maturity in a "Qualified Equity Financing" was the predominant feature, the Company determined that the notes were share-settled debt, and as such accreted the notes over their term, to the value of the preferred stock into which the notes would be converted, \$5.8 million, recognizing accretion to the redemption value through the date the convertible notes were converted as interest expense.

Upon maturity, the noteholders have the option to convert any outstanding principal and accrued but unpaid interest into shares of Series A convertible preferred stock at a purchase price equal to \$1.00. This embedded conversion feature meets the definition of a beneficial conversion feature and was recognized by allocating a portion of the proceeds equal to the intrinsic value of the beneficial conversion feature measured at the commitment date, or \$0.2 million, to additional paid in capital. The accretion of the beneficial conversion feature was recognized through the date the convertible notes were converted as interest expense.

The Company allocated \$28,000 in transaction costs as a discount to the notes.

On December 22, 2016, pursuant to the August 2016 Note Purchase Agreement and in connection with the issuance of Series B convertible preferred stock (Note 10), the convertible notes and accrued interest converted into 5,962,784 shares of Series B convertible preferred stock.

The redemption was treated as an extinguishment of debt which required the carrying value of the debt to be derecognized and the fair value of the debt to be recognized as new debt. At the redemption date, the carrying value of the debt included principal of \$4.7 million, and accrued interest, accretion to the redemption value, and accretion of the beneficial conversion feature of \$120,000, \$356,000, and \$60,000, respectively. Additionally, the unamortized portion of the beneficial conversion feature of \$126,000 was allocated to the carrying value of the debt and the fair value of the new debt was established at \$6.0 million. The beneficial conversion feature at the conversion date was determined to be out of the money and, as such, was derecognized. The loss on extinguishment of \$1.0 million was recorded as interest expense.

## **10. Convertible Preferred Stock and Equity**

### ***Authorized Shares***

The amount of common stock authorized increased in 2016 in connection with the Company's equity financings. As of December 31, 2016, the Company has 95,000,000, 25,749,471 and 46,962,784 shares of common stock,

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Series A convertible preferred stock and Series B convertible preferred stock, par value \$0.0001 per share, authorized, respectively.

### **Common Stock**

At the time of conversion of the Delaware Limited Liability Corporation into a Delaware Corporation, 8,000,000 Class A Units converted into 7,373,272 shares of common stock of scPharmaceuticals Inc. at \$0.0001 per share par value.

The Company issued 164,097 and 63,896 additional shares in 2015 and 2016, respectively, as a result of restricted stock issuances and stock option exercises. In addition, the Company repurchased 37,500 shares of unvested restricted stock in 2015. At December 31, 2016, the Company had 7,719,756 shares outstanding of which 36,295 represented unvested restricted stock.

### **Convertible Preferred Stock**

On March 24, 2014, the Company entered into a Series A Preferred Stock Purchase Agreement ("Series A Preferred SPA"). Per the Series A Preferred SPA, the Company agreed to sell to the Purchasers, for cash, an aggregate of up to 16,000,000 shares of Series A convertible preferred stock, par value \$0.0001 per share, for the purchase price of \$1.00 per share over two closings, an Initial Closing and a Milestone Closing. In addition, pursuant to the convertible note agreements, the Convertible Notes converted into 1,315,679 shares of Series A convertible preferred stock at the Initial Closing. The Initial Closing occurred on the date of the Series A Preferred SPA and the Milestone Closing was to occur on the 15th business day following delivery of the Milestone Closing Notice. This Milestone Closing was subject to the Company achieving several milestones related to its pharmaceutical and device development programs.

In conjunction with the execution of the Series A Preferred SPA, the Company received \$8.0 million from the sale of 8,000,000 shares of Series A convertible preferred stock, par value \$0.0001, at a price of \$1.00 per share at the Initial Closing. Costs associated with the financing were \$0.2 million resulting in net cash received of \$7.8 million.

In October 2014, the Series A Preferred SPA was amended to include an additional investment of \$250,000. The Company received \$250,000 from the sale of 250,000 shares of Series A convertible preferred stock, par value \$0.0001, at a price of \$1.00 per share on October 14, 2014.

On April 8, 2015, the Company received \$8.0 million from the sale of 8,000,000 shares of Series A convertible preferred stock, par value \$0.0001, at a price of \$1.00 per share at the Milestone Closing of the Series A Preferred SPA. Costs associated with the financing were \$7,000 resulting in net cash received of \$7,993,000.

On August 22, 2016, pursuant to the January 2016 Convertible Note Purchase Agreement, the Company issued 8,183,792 shares of Series A convertible preferred stock upon conversion of the underlying convertible notes (Note 9).

On December 22, 2016, the Company entered into a Series B Preferred Stock Purchase Agreement ("Series B Preferred SPA"). Per the Series B Preferred SPA, the Company agreed to sell to the Purchasers, for cash, an aggregate of up to 46,962,784 shares of Series B convertible preferred stock, par value \$0.0001 per share, for the purchase price of \$1.00 per share. As part of the Series B Preferred SPA, pursuant to the August 2016 Note Purchase Agreement, the underlying convertible notes converted into 5,962,784 shares of Series B convertible preferred stock (Note 9).

In conjunction with the execution of the Series B Preferred SPA, the Company received \$41.0 million from the sale of 41,000,000 shares of Series B convertible preferred stock, par value \$0.0001, at a price of \$1.00 per share. Costs associated with the financing were \$0.4 million resulting in net cash received of \$40.6 million.

The Series A convertible preferred stock and the Series B convertible preferred stock, collectively "Convertible Preferred Stock" have the following characteristics:

#### **Dividends**

Holders of each share of Series A convertible preferred stock are entitled to receive non-cumulative cash dividends, prior and in preference to any declaration or payment of any dividend on shares of common stock at



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the rate of six percent of the Series A original issue price, payable only when, as and if declared by the Board of Directors.

Through December 31, 2017, holders of each share of Series B convertible preferred stock are entitled to receive non-cumulative cash dividends, prior and in preference to any declaration or payment of any dividend on shares of common stock at the rate of six percent of the Series B original issue price, payable only when, as and if declared by the Board of Directors.

From and after January 1, 2018, dividends at the rate per annum of six percent shall accrue on each share of Series B Preferred Stock and shall become payable at the election of the Board of Directors in cash. In no event shall the value of the Series B Preferred Stock dividend exceed twenty percent of the Series B original issue price on a cumulative basis.

### ***Voting Rights***

Holders of each share of Convertible Preferred Stock are entitled to that number of votes equal to the number of whole shares of common stock into which a holder's shares of Convertible Preferred Stock could be converted as of the record date of any vote.

### ***Conversion Rights***

Shares of Convertible Preferred Stock are convertible, at the option of the holder, into shares of the Company's common stock at a conversion value determined by dividing the Series A original issue price or the Series B original issue price, as the case may be, by the applicable conversion price. The Series A conversion price, initially \$1.00, in effect at the time of the conversion, subject to certain antidilution adjustments, and the Series B conversion price, initially \$1.00, in effect at the time of the conversion, subject to certain antidilution adjustments, are collectively referred to as the "Conversion Price". All outstanding shares of Convertible Preferred Stock automatically convert into common stock upon the closing of a qualified firm commitment underwritten public offering in which the Company sells shares of its common stock at a price to the public of at least \$2.50 per share, and resulting in at least \$50.0 million of gross proceeds to the Company. In the event of a public offering that is not a qualified public offering, the Convertible Preferred Stock may convert at the written election of at least 60% of the holders of the Convertible Preferred Stock, voting together as a single class on an as-converted basis.

### ***Liquidation Preference***

In the event of any liquidation, dissolution or winding-up of the Company, which would include the sale of the Company, the Series B convertible preferred stockholders shall be entitled to be paid, before any distribution or payment is made upon the holders of Series A convertible preferred stock or common stock, an amount per share equal to the Series B original issue price, plus any Series B original dividend declared but unpaid thereon, plus any unpaid Series B accruing dividends accrued thereon, beginning in January 2018, plus any other dividends declared but unpaid thereon. Any assets remaining following the preferential distribution to the holders of Series B convertible preferred stock shall be available for distribution to the holders of Series A convertible preferred stock in an amount per share equal to the Series A original issue price, plus any dividends declared but unpaid thereon. In the event that assets remain after all the preferential amounts required to be paid to the holders of shares of preferred stock are paid, the remaining assets shall be distributed among the holders of the shares of preferred stock and common stock, ratably among all holders of preferred stock and common stock pro-rata based on the number of shares held by each holder, treating the preferred stock as if they had been converted to common stock prior to such liquidation, dissolution, or winding-up.

The maximum amount to be distributed to holders of Series B convertible preferred stock is the greater of three times the Series B original issue price or the amount the holders would have received if all shares of Series B convertible preferred stock had been converted into common stock immediately prior to such liquidation, dissolution or winding-up of the Company. The maximum amount to be distributed to holders of Series A convertible preferred stock is the greater of three times the Series A original issue price or the amount the holders would have received if all shares of Series A convertible preferred stock had been converted into common stock immediately prior to such liquidation, dissolution or winding-up of the Company.

Because a majority of voting power of the outstanding common stock can be obtained without the Company's approval, redemption of the Convertible Preferred Stock can be triggered. This requires the Company to record

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the Convertible Preferred Stock in temporary equity between liabilities and equity in the balance sheet. Convertible Preferred Stock has been recorded net of issuance costs. The Company has not recorded any accretion to redemption value as it is not required until redemption becomes probable.

### **Registration Rights**

The holders of shares of Convertible Preferred Stock are entitled to certain demand registration rights with respect to these securities, as set forth in the investors' rights agreement between the Company and the holders of these securities. These registration rights would require the Company to use its commercially reasonable efforts to register the shares of the Company's common stock underlying the Convertible Preferred Stock under the Securities Act of 1933, subject to certain conditions and limitations. The cost of registration would be incurred by the Company.

### **Reserved Shares**

The Company has reserved 75,903,317 shares of common stock for potential conversion of the preferred stock and for the exercise of outstanding options to purchase common stock.

## **11. Commitments and Contingencies**

### **Operating Leases**

The Company entered into noncancelable operating leases for office facilities located in Lexington, MA through February 28, 2017, June 30, 2017, and December 31, 2022, the Temporary Use and Occupancy Agreement, as amended, the Original Lease, and the Amended Lease, respectively. Rent expense under the operating leases totaled \$0.1 million and \$0.2 million for the years ended December 31, 2015 and 2016, respectively.

As of December 31, 2016, the minimum future rent payments under the lease agreements are as follows (in thousands):

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2017	\$ 90
2018	64
2019	66
2020	67
2021	69
Thereafter	71
Total minimum lease payments	<u>\$427</u>

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## **12. 401(k) Savings Plan**

In July 2014, the Company established a defined contribution savings plan under Section 401(k) of the Internal Revenue Code covering all of its employees. Employees may make contributions by withholding a percentage of their salary. The plan includes an employer match equal to 100% on the first 3% of deferred compensation and an additional 50% on the next 2% of deferred compensation. During the years ended December 31, 2015 and 2016, the Company has recognized compensation expense of \$83,000 and \$122,000 for the employer match contribution.

## **13. Subsequent Events**

The Company has evaluated subsequent events up to April 17, 2017, the date the financial statements were issued, with the exception of Note 3, which was evaluated through August 30, 2017, pursuant to the requirements of ASC 855 *Subsequent Events*, and has determined the following material subsequent event:

In January 2017, the Company hired a new President and Chief Executive Officer. As part of the compensation package, 3,566,222 options were issued out of the 2014 Stock Plan. Severance was accrued for the prior President and Chief Executive Officer in accordance with his employment agreement.

**SCPHARMACEUTICALS INC.**  
**Unaudited Condensed Balance Sheets**  
(in thousands, except share and per share data)

	DECEMBER 31, 2016	JUNE 30, 2017	PRO FORMA STOCKHOLDERS' EQUITY JUNE 30, 2017
<b>Assets</b>			
Current assets			
Cash	\$ 39,282	\$ 37,899	\$ 37,499
Prepaid expenses	101	521	521
VAT receivable	349	660	660
Other current assets	8	25	25
Total current assets	39,740	39,105	38,705
Restricted cash	—	182	182
Property and equipment, net	26	35	35
Deposits and other assets	6	7	7
Total assets	<u>\$ 39,772</u>	<u>\$ 39,329</u>	<u>\$ 38,929</u>
<b>Liabilities, Convertible Preferred Stock, and Stockholders' (Deficit) Equity</b>			
Current liabilities			
Accounts payable	\$ 1,546	\$ 871	\$ 871
Accrued expenses	2,178	3,811	3,811
Other current liabilities	12	2	2
Total current liabilities	3,736	4,684	4,684
Term loan	—	9,308	9,308
Derivative liability	—	392	—
Other liabilities	7	32	32
Total liabilities	3,743	14,416	14,024
Commitments and contingencies (Note 10)			
Series A convertible preferred stock; \$0.0001 par value; 25,749,471 shares authorized at June 30, 2017; 25,749,471 shares issued and outstanding at December 31, 2016 and June 30, 2017; liquidation preference of \$25,749 at June 30, 2017, actual; no shares issued and outstanding at June 30, 2017, pro forma	26,502	26,502	—
Series B convertible preferred stock; \$0.0001 par value; 46,962,784 shares authorized at June 30, 2017; 46,962,784 shares issued and outstanding at December 31, 2016 and June 30, 2017; liquidation preference of \$46,963 at June 30, 2017, actual; no shares issued and outstanding at June 30, 2017, pro forma	46,601	46,592	—
Stockholders' (deficit) equity			
Common stock; \$0.0001 par value; 95,000,000 shares authorized at June 30, 2017; 7,683,461 and 7,732,129 issued and outstanding at December 31, 2016 and June 30, 2017, respectively; 80,444,384 shares issued and outstanding at June 30, 2017, pro forma	1	1	8
Additional paid-in capital	6,124	6,465	79,552
Accumulated deficit	(43,199)	(54,647)	(54,655)
Total stockholders' (deficit) equity	(37,074)	(48,181)	24,905
Total liabilities, convertible preferred stock, and stockholders' (deficit) equity	<u>\$ 39,772</u>	<u>\$ 39,329</u>	<u>\$ 38,929</u>

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

**SCPHARMACEUTICALS INC.**  
**Unaudited Condensed Statements of Operations and Comprehensive Loss**  
(in thousands, except share and per share data)

	SIX MONTHS ENDED	
	JUNE 30, 2016	JUNE 30, 2017
Operating expenses:		
Research and development	\$ 5,222	\$ 7,030
General and administrative	2,951	4,448
Total operating expenses	<u>8,173</u>	<u>11,478</u>
Loss from operations	(8,173)	(11,478)
Other income	17	67
Interest income	1	95
Interest expense	(1,820)	(132)
Net loss and comprehensive loss	<u>\$ (9,975)</u>	<u>\$ (11,448)</u>
Net loss per share, basic and diluted	<u>\$ (1.57)</u>	<u>\$ (1.49)</u>
Weighted—average common shares outstanding, basic and diluted	<u>6,334,471</u>	<u>7,695,927</u>
Pro forma net loss per share, basic and diluted		<u>\$ (0.14)</u>
Pro forma weighted—average common shares outstanding, basic and diluted		<u>80,408,182</u>

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

**SCPHARMACEUTICALS INC.**  
**Unaudited Condensed Statements of Cash Flows**  
(in thousands)

	FOR THE SIX MONTHS ENDED	
	JUNE 30, 2016	JUNE 30, 2017
<b>Cash flows from operating activities</b>		
Net loss	\$ (9,975)	\$ (11,448)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation expense	2	3
Stock-based compensation	585	336
Non-cash interest expense	1,820	29
Changes in operating assets and liabilities		
Prepaid expenses and other assets	(240)	(749)
Accounts payable, accrued expenses and other liabilities	1,642	972
Net cash flows used in operating activities	<u>(6,166)</u>	<u>(10,857)</u>
<b>Cash flows from investing activities</b>		
Purchases of property and equipment	—	(12)
Net cash flows used in investing activities	<u>—</u>	<u>(12)</u>
<b>Cash flows from financing activities</b>		
Costs related to issuance of Series B convertible preferred stock	—	(8)
Proceeds from term loan	—	10,000
Costs related to term loan	—	(321)
Proceeds from issuance of convertible promissory notes	7,400	—
Costs related to issuance of convertible promissory notes	(31)	—
Purchase of restricted stock	—	(3)
Net cash flows provided by financing activities	<u>7,369</u>	<u>9,668</u>
Net increase (decrease) in cash and restricted cash	1,203	(1,201)
Cash and restricted cash, beginning of period	1,573	39,282
Cash and restricted cash, end of period	<u>\$ 2,776</u>	<u>\$ 38,081</u>
<b>Supplemental cash flow information</b>		
Interest paid	\$ —	\$ 63
<b>Supplemental disclosure of non-cash activities</b>		
Derivative liability in connection with issuance of loan payable	\$ —	\$ 392
Beneficial conversion feature of convertible notes	4,439	—
Vesting of restricted stock	(10)	(3)

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

**SCPHARMACEUTICALS INC.**

**Notes to Unaudited Interim Condensed Financial Statements**

**1. Description of Business and Basis of Presentation**

***Description of Business***

scPharmaceuticals LLC was formed as a Limited Liability Company under the laws of the State of Delaware on February 19, 2013. On March 24, 2014, scPharmaceuticals LLC was converted to a Delaware corporation and changed its name to scPharmaceuticals Inc. ("the Company"). The Company is a pharmaceutical company focused on developing and commercializing products that have the potential to transform the way therapy is delivered, advance patient care and reduce healthcare costs. The Company's proprietary platform is designed to enable the subcutaneous administration of therapies that have previously been limited to intravenous, or IV, delivery. The Company filed a new drug application, or NDA, for its lead product candidate, with the U.S. Food and Drug Administration, or FDA, in August 2017. The Company's headquarters and primary place of business is Burlington, Massachusetts.

***Basis of Presentation***

The accompanying condensed financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP") for interim financial information and have been prepared on a basis which assumes that the Company will continue as a going concern, which contemplates the realization of assets and the satisfaction of liabilities and commitments in the normal course of business. Certain information and disclosures normally included in financial statements in accordance with U.S. GAAP have been condensed or omitted. Accordingly, these condensed financial statements should be read in conjunction with the Company's financial statements and related notes for the years ended December 31, 2015 and 2016 included elsewhere in this prospectus.

The accompanying condensed balance sheet as of June 30, 2017, and the condensed statements of operations and comprehensive loss and condensed statements of cash flows for the six months ended June 30, 2016 and 2017 are unaudited. The unaudited interim condensed financial statements have been prepared on a basis consistent with that used to prepare the Company's audited annual financial statements and include, in the opinion of management, adjustments, consisting of normal recurring items, necessary for the fair statement of the condensed financial statements. The operating results for the six months ended June 30, 2017 are not necessarily indicative of the results expected for the full year ending December 31, 2017.

**2. Significant Accounting Policies**

There have been no significant changes in the Company's accounting policies from those disclosed in the Company's audited financial statements and the related notes.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reported periods. Actual results could differ from those estimates.

***Unaudited Pro Forma Information***

The accompanying unaudited pro forma balance sheet as of June 30, 2017 has been prepared to give effect, upon the closing of a qualified public offering, to the conversion of all outstanding shares of convertible preferred stock into an aggregate of 72,712,255 shares of common stock as if the Company's proposed public offering had occurred on June 30, 2017.

In the accompanying statements of operations, the unaudited pro forma basic and diluted net loss per share attributable to common stockholders for the six months ended June 30, 2017 have been prepared to give effect, upon the closing of a qualified firm commitment underwritten public offering in which the Company sells shares of its common stock at a price to the public of at least \$2.50 per share, and resulting in at least \$50.0 million of gross proceeds to the Company, to the conversion of all outstanding shares of convertible preferred stock into shares of

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common stock as if the proposed initial public offering had occurred on the later of January 1, 2016, or the issuance date of the convertible preferred stock.

### **Deferred Initial Public Offering Costs**

Deferred offering costs, which primarily consist of direct incremental legal and accounting fees relating to the initial public offering, are capitalized. The deferred offering costs will be offset against initial public offering proceeds upon the consummation of the offering. In the event the offering is terminated, deferred offering costs will be expensed.

### **Restricted Cash**

As of June 30, 2017, the Company classified \$182,000 as restricted cash related to a letter of credit issued as a security deposit in connection with the Company's lease of its corporate office facilities (Note 10).

### **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 dilutive common stock equivalents. Diluted net loss per share is the same as basic net loss per common share, since the effects of potentially dilutive securities are anti-dilutive.

Dilutive common stock equivalents are comprised of convertible preferred stock, unexercised stock options outstanding under the Company's equity plan and unvested restricted stock.

### **Fair Value of Financial Instruments**

Assets and liabilities that are carried at fair value are to be classified and disclosed in one of the following three categories:

Level 1: Observable quoted market prices in active markets for identical assets or liabilities;

Level 2: Observable inputs other than Level 1, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability; and

Level 3: Unobservable inputs for the asset or liability that are significant to the fair value of the assets or liabilities.

At December 31, 2016, the Company had no assets or liabilities that are required to be carried at fair value. As of June 30, 2017, the Company's derivative liability is carried at fair value, determined according to the fair value hierarchy described above (Note 3). The carrying values of the Company's cash and restricted cash, prepaid expenses, VAT receivable and deposits approximate their fair values due to their short term nature. The carrying value of the Company's loan payable was considered a reasonable estimate of fair value because the Company's interest rate is near current market rates for instruments with similar characteristics.

### **Derivative Liability**

The Company entered into an exit agreement in connection with its loan and security agreement with Solar Capital Ltd. and Silicon Valley Bank (Note 8), which provides for a payment to the lenders upon the occurrence of an exit event, as defined in the exit agreement, including an initial public offering. The Company classifies the exit payment obligation as a liability on its balance sheet because it represents a contingent payment obligation that is not clearly and closely related to the host instrument and meets the definition of a derivative. The derivative liability was initially recorded at fair value upon execution of the loan and security agreement and is subsequently remeasured to fair value at each reporting date. Changes in the fair value of the derivative liability are recognized as a component of other income (expense), net in the statement of operations and comprehensive loss. Changes in the fair value of the derivative liability will continue to be recognized until an exit event occurs.

### **Income Taxes**

The Company provides reserves for potential payments of tax to various tax authorities related to uncertain tax positions. The tax benefits recorded 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 uncertainty related to the tax benefit, assuming that the matter in question will be raised by the tax authorities. Potential interest and penalties associated with such uncertain tax positions are recorded as a component of income tax expense. At June 30, 2017, the Company had not identified any significant uncertain tax positions.

**Recently Issued Accounting Standards**

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842) (“ASU 2016-02”). ASU 2016-02 is intended to improve financial reporting of leasing transactions by requiring organizations that lease assets to recognize assets and liabilities for the rights and obligations created by leases that extend more than twelve months on the balance sheet. This accounting update also requires additional disclosures surrounding the amount, timing, and uncertainty of cash flows arising from leases. ASU 2016-02 is effective for financial statements issued for annual and interim periods beginning after December 15, 2018 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2019 and interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is still evaluating whether the adoption of this pronouncement will have a material impact on its financial statements.

In March 2016, the FASB issued ASU No. 2016-06, Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments (“ASU 2016-06”). This new standard simplifies the embedded derivative analysis for debt instruments containing contingent call or put options by removing the requirement to assess whether a contingent event is related to interest rates or credit risks. ASU 2016-06 is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. Early adoption is permitted. The Company has evaluated this pronouncement and has determined there is no impact on its financial statements.

In March 2016, the FASB issued ASU No. 2016-09, Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). This new standard requires recognition of the income tax effects of vested or settled awards in the income statement and involves several other aspects of the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for financial statements issued for annual and interim periods beginning after December 15, 2016 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018, with early adoption permitted. The Company early adopted this pronouncement and there was no material impact to the financial statement presentation.

In November 2016, the FASB issued ASU No. 2016-18, Statement of Cash Flows (Topic 230): Restricted Cash. This new standard requires restricted cash and restricted cash equivalents to be included as components of total cash and cash equivalents as presented on the statement of cash flows. ASU 2016-18 is effective for financial statements issued for annual and interim periods beginning after December 31, 2017 for public business entities. For all other entities, it is effective for annual periods beginning after December 15, 2018 and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted. The Company elected to early adopt ASU 2016-18 as of January 1, 2017.

In May 2017, the FASB issued ASU No. 2017-09, Compensation – Stock Compensation (Topic 718): Scope of Modification Accounting (“ASU 2017-09”). This new standard clarifies when changes to the terms or conditions of a share-based payment award must be account for as modifications. It requires entities to apply modification accounting guidance if the value, vesting conditions or classification of the award changes. ASU 2017-09 is effective for financial statements issued for annual and interim periods beginning after December 15, 2017. Early adoption is permitted. The Company is still evaluating whether the adoption of this pronouncement will have a material impact on its financial statements.



[Table of Contents](#)**3. Fair Value of Financial Assets and Liabilities**

The following table presents information about the Company's financial assets and liabilities measured at fair value on a recurring basis and indicate the level of the fair value hierarchy utilized to determine such fair values (in thousands):

	FAIR VALUE MEASUREMENTS AS OF			
	JUNE 30, 2017:			
	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
<b>Liabilities:</b>				
Derivative liability	\$ —	\$ —	\$ 392	\$ 392
	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 392</u>	<u>\$ 392</u>

**Valuation of Derivative Liability**

The fair value of the derivative liability recognized in connection with the Company's loan and security agreement (Note 8) was determined based on significant inputs not observable in the market, which represents a Level 3 measurement within the fair value hierarchy. The fair value of the derivative liability was determined using the probability-weighted expected return method ("PWERM"), which considered as inputs the timing and probability of occurrence of an exit event, the amount of the payment; and the risk-free discount rate reflecting the expected risk profile for each of the potential settlement scenarios. The Company determined that the change in the fair value of the derivative liability from the date of issuance through June 30, 2017 was not material.

**4. Net Loss per Share and Pro Forma Net Loss per Share****Net Loss per Share Attributable to Common Stockholders**

The following table sets forth the computation of basic and diluted net loss per share of common stock (in thousands, except share and per share data):

	SIX MONTHS ENDED	
	JUNE 30,	
	2016	2017
Net loss and comprehensive loss	\$ (9,975)	\$ (11,448)
Weighted-average shares used in computing net loss per share	6,334,471	7,695,927
Net loss per share, basic and diluted	\$ (1.57)	\$ (1.49)

The Company's potentially dilutive securities, which include stock options and convertible preferred stock, have been excluded from the computation of diluted net loss per share as the effect would be to reduce the net loss per share. Therefore, the weighted average number of common shares outstanding used to calculate both basic and diluted net loss per share attributable to common stockholders is the same. The Company excluded the following potential common shares, presented based on amounts outstanding at each period end, from the computation of diluted net loss per share attributable to common stockholders for the periods indicated because including them would have had an anti-dilutive effect.

	SIX MONTHS ENDED	
	JUNE 30,	
	2016	2017
Convertible preferred stock, on an if-converted basis	17,565,679	72,712,255
Stock options to purchase common stock	3,115,398	7,557,601
Unvested restricted stock	49,670	8,752
Total	<u>20,730,747</u>	<u>80,278,608</u>

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The following table summarizes the Company's pro forma net loss per share (in thousands, except share and per share data):

	SIX MONTHS ENDED JUNE 30, 2017
<b>Numerator:</b>	
Net loss attributable to common stockholders	\$ (11,448)
<b>Denominator:</b>	
Weighted-average shares used in computing net loss per share, basic and diluted	7,695,927
Pro forma adjustments to reflect assumed conversion of convertible preferred stock	72,712,255
Weighted-average shares used in computing pro forma net loss per share, basic and diluted	80,408,182
Pro forma net loss per share, attributable to common stockholders basic and diluted	\$ (0.14)

## 5. Property and Equipment

Property and equipment consists of the following (dollars in thousands):

	ESTIMATED USEFUL LIFE	DECEMBER 31, 2016	JUNE 30, 2017
Office equipment	5 years	\$ 10	\$ 10
Computer equipment	3 years	8	8
Leasehold improvements	Life of lease	17	29
		35	47
Less: Accumulated depreciation		(9)	(12)
Property and equipment, net		\$ 26	\$ 35

Depreciation expense for the periods ended June 30, 2016 and June 30, 2017 was \$2,000 and \$3,000, respectively.

## 6. Accrued Expenses

Accrued expenses consist of (in thousands):

	DECEMBER 31, 2016	JUNE 30, 2017
Contract research and development	\$ 1,567	\$ 2,063
Financing related costs	303	222
Consulting and professional service fees	170	603
Employee compensation and related costs	85	887
Other	53	36
Total accrued expenses	\$ 2,178	\$ 3,811

## 7. Stock-Based Compensation

### Stock Options

The Company's 2014 Stock Incentive Plan (the "2014 Stock Plan") became effective in March 2014 and will expire in March 2024. Under the 2014 Stock Plan, the Company may grant incentive stock options, non-statutory stock

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options, restricted stock awards and other stock-based awards. The Company's 2013 LLC Unit Option Plan (the "2013 Stock Plan") was terminated in March 2014 effective upon the conversion of scPharmaceuticals LLC to scPharmaceuticals Inc. and all unit options were converted to options under the 2014 Stock Plan. No further unit options will be granted under the 2013 Stock Plan.

As of June 30, 2017, there were 9,070,046 shares of the Company's common stock authorized for issuance under the 2014 Stock Plan.

At June 30, 2017, there were 1,144,836 options available for issuance and 7,557,601 options outstanding under the 2014 Stock Plan. Options granted under the 2014 Plan have a term of ten years. Vesting of options under the 2014 Stock Plan is determined by the board of directors, but is generally a four-year term.

The fair value of options at date of grant was estimated using the Black-Scholes option-pricing model with the following assumptions:

	SIX MONTHS ENDED JUNE 30,	
	2016	2017
Risk-free interest rate	1.36%—1.58%	1.89%—2.20%
Expected dividend yield	0%	0%
Expected life	6.0—6.4 years	5.8—6.7 years
Expected volatility	86%—93%	78%—84%
Weighted-average grant date fair value	\$0.92	\$0.37

The following table summarizes information about stock option activity during the six months ended June 30, 2017 (in thousands, except share and per share data):

	NUMBER OF SHARES	WEIGHTED-AVERAGE EXERCISE PRICE	WEIGHTED-AVERAGE REMAINING CONTRACTUAL TERM	AGGREGATE INTRINSIC VALUE
Outstanding, December 31, 2016	3,191,062	\$ 0.97		
Granted	5,056,000	0.53		
Exercised	(34,564)	0.01		
Forfeited	(654,897)	1.23		
Outstanding, June 30, 2017	<u>7,557,601</u>	<u>\$ 0.66</u>	9.15	\$ 1,177
Vested and exercisable, June 30, 2017	1,214,765	\$ 0.73	7.57	\$ 304
Vested and expected to vest, June 30, 2017	<u>5,962,615</u>	<u>\$ 0.67</u>	9.02	\$ 949

Unrecognized compensation expense related to unvested awards as of June 30, 2017 was \$2.1 million and will be recognized over the remaining vesting periods of the underlying awards. The weighted-average period over which such compensation is expected to be recognized is 3.02 years.

## 8. Term Loan

In May 2017, the Company entered into a loan and security agreement, or 2017 Loan Agreement, with Solar Capital Ltd. and Silicon Valley Bank for \$10.0 million. Debt issuance costs for the 2017 Loan Agreement will be amortized to interest expense over the remaining term of the 2017 Loan Agreement using the effective-interest method.

The interest rate under the 2017 Loan Agreement is LIBOR plus 8.45%, and there is an interest-only period until November 30, 2018, followed by a 30-month principal and interest period. Pursuant to the 2017 Loan Agreement, the Company provided a first priority security interest in all existing and after-acquired assets, excluding intellectual property, owned by the Company.

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The Company entered into an exit fee agreement in connection with the 2017 Loan Agreement which provides for an aggregate payment of 4% of the loan commitment, or \$400,000, to the lenders upon the occurrence of an exit event, including an initial public offering. The Company concluded that the exit payment obligation met the definition of a derivative that was required to be accounted for as a separate unit of accounting. The Company recorded the issuance-date fair value of the derivative liability of \$392,000 as a debt discount and as a derivative liability in the Company's balance sheet.

As of June 30, 2017, unpaid borrowings under the 2017 Loan Agreement totaled \$10.0 million. For the six months ended June 30, 2017, the Company recorded \$21,000 related to the amortization of debt discount associated with the 2017 Loan Agreement.

The 2017 Loan Agreement allows the Company to voluntarily prepay all (but not less than all) of the outstanding principal at any time. A prepayment premium of 3% or 1% through the one year anniversary and thereafter, respectively, would be assessed on the outstanding principal. A final payment fee of \$250,000 is due upon the earlier to occur of the maturity date or prepayment of such borrowings.

In an event of default under the 2017 Loan Agreement, the interest rate will be increased by 5% and the balance under the loan may become immediately due and payable at the option of the lenders.

The 2017 Loan Agreement includes restrictions on, among other things, the Company's ability to incur additional indebtedness, change the name or location of the Company's business, merge with or acquire other entities, pay dividends or make other distributions to holders of its capital stock, make certain investments, engage in transactions with affiliates, create liens, sell assets or pay subordinated debt.

Total term loan and unamortized debt discount balances are as follows (in thousands):

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	<b>JUNE 30, 2017</b>
Face value	\$10,000
Less: discount	(692)
Total	\$ 9,308
Less: current portion	—
Total	<u>\$ 9,308</u>

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As of June 30, 2017, future principal payments due under the 2017 Loan Agreement are as follows (in thousands):

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<b>Year ended:</b>	
December 31, 2018	\$ 333
December 31, 2019	4,000
December 31, 2020	4,000
December 31, 2021	1,667
Total future principal payments due under the 2017 Loan Agreement	<u>\$10,000</u>

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## **9. Convertible Preferred Stock and Equity**

### **Authorized Shares**

As of June 30, 2017, the Company has 95,000,000, 25,749,471 and 46,962,784 shares of common stock, Series A convertible preferred stock and Series B convertible preferred stock, par value \$0.0001 per share, authorized, respectively.

### **Common Stock**

At the time of conversion of the Delaware Limited Liability Corporation into a Delaware Corporation, 8,000,000 Class A Units converted into 7,373,272 shares of common stock of scPharmaceuticals Inc. at \$0.0001 per share par value.

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At June 30, 2017, the Company had 7,740,881 shares outstanding of which 8,752 represented unvested restricted stock.

**Reserved Shares**

The Company has reserved 80,269,856 shares of common stock for potential conversion of the preferred stock and for the exercise of outstanding options to purchase common stock.

**10. Commitments and Contingencies**

**Operating Leases**

The Company entered into noncancelable operating leases for office facilities located in Lexington, Massachusetts through June 30, 2017, July 31, 2017, and December 31, 2022, the Original Lease, the Temporary Use and Occupancy Agreement, as amended, and the Amended Lease, respectively. The Company entered into a noncancelable operating lease for office facilities located in Burlington, Massachusetts through November 30, 2022. Rent expense under the operating leases totaled \$61,000 and \$95,000 for the six months ended June 30, 2016 and 2017, respectively.

As of June 30, 2017, the minimum future rent payments under the lease agreements are as follows (in thousands):

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2017	\$ 56
2018	415
2019	495
2020	509
2021	524
Thereafter	496
Total minimum lease payments	<u>\$2,495</u>

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**11. Subsequent Events**

The Company has evaluated subsequent events after June 30, 2017 up to August 30, 2017, the date these financial statements were available to be issued, pursuant to the requirements of ASC 855 *Subsequent Events*.

**Shares**

**scPharmaceuticals**

**Common Stock**

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**PRELIMINARY PROSPECTUS**

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**Jefferies  
Leerink Partners  
BMO Capital Markets**

, 2017

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**PART II**  
**Information Not Required in Prospectus**

**Item 13. Other Expenses of Issuance and Distribution.**

The following table sets forth the fees and expenses, other than underwriting discounts and commissions, payable in connection with the registration of the common stock hereunder. All amounts are estimates except the SEC registration fee.

	<b>AMOUNT TO BE PAID</b>
SEC registration fee	\$ *
FINRA filing fee	*
NASDAQ Global Market listing fee	*
Printing and mailing	*
Legal fees and expenses	*
Accounting fees and expenses	*
Transfer agent and registrar fees and expenses	*
Miscellaneous	*
<b>Total</b>	<b>\$ *</b>

\* To be completed by amendment.

**Item 14. Indemnification of Directors and Officers.**

Section 145 of the Delaware General Corporation Law, or the DGCL, authorizes a corporation to indemnify its directors and officers against liabilities arising out of actions, suits and proceedings to which they are made or threatened to be made a party by reason of the fact that they have served or are currently serving as a director or officer to a corporation. The indemnity may cover expenses (including attorneys' fees) judgments, fines and amounts paid in settlement actually and reasonably incurred by the director or officer in connection with any such action, suit or proceeding. Section 145 permits corporations to pay expenses (including attorneys' fees) incurred by directors and officers in advance of the final disposition of such action, suit or proceeding. In addition, Section 145 provides that a corporation has the power to purchase and maintain insurance on behalf of its directors and officers against any liability asserted against them and incurred by them in their capacity as a director or officer, or arising out of their status as such, whether or not the corporation would have the power to indemnify the director or officer against such liability under Section 145.

We have adopted provisions in our certificate of incorporation and bylaws to be in effect upon the closing of this offering that limit or eliminate the personal liability of our directors to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended. Consequently, a director will not be personally liable to us or our stockholders for monetary damages or breach of fiduciary duty as a director, except for liability for:

- any breach of the director's duty of loyalty to us or our stockholders;
- any act or omission not in good faith or that involves intentional misconduct or a knowing violation of law;
- any unlawful payments related to dividends or unlawful stock purchases, redemptions or other distributions; or
- any transaction from which the director derived an improper personal benefit.

These limitations of liability do not alter director liability under the federal securities laws and do not affect the availability of equitable remedies such as an injunction or rescission.

In addition, our bylaws provide that:

- we will indemnify our directors, officers and, in the discretion of our board of directors, certain employees to the fullest extent permitted by the DGCL, as it now exists or may in the future be amended; and

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- we will advance reasonable expenses, including attorneys' fees, to our directors and, in the discretion of our board of directors, to our officers and certain employees, in connection with legal proceedings relating to their service for or on behalf of us, subject to limited exceptions.

We have entered into indemnification agreements with each of our directors and intend to enter into such agreements with our executive officers. These agreements provide that we will indemnify each of our directors, certain of our executive officers and, at times, their affiliates to the fullest extent permitted by Delaware law. We will advance expenses, including attorneys' fees (but excluding judgments, fines and settlement amounts), to each indemnified director or executive officer in connection with any proceeding in which indemnification is available and we will indemnify our directors and officers for any action or proceeding arising out of that person's services as a director or officer brought on behalf of us or in furtherance of our rights. Additionally, certain of our directors or officers may have certain rights to indemnification, advancement of expenses or insurance provided by their affiliates or other third parties, which indemnification relates to and might apply to the same proceedings arising out of such director's or officer's services as a director referenced herein. Nonetheless, we have agreed in the indemnification agreements that our obligations to those same directors or officers are primary and any obligation of such affiliates or other third parties to advance expenses or to provide indemnification for the expenses or liabilities incurred by those directors are secondary.

We also maintain general liability insurance which covers certain liabilities of our directors and officers arising out of claims based on acts or omissions in their capacities as directors or officers, including liabilities under the Securities Act of 1933, as amended, or the Securities Act.

The underwriting agreement filed as Exhibit 1.1 to this registration statement provides for indemnification of us and our directors and officers by the underwriters against certain liabilities under the Securities Act and the Securities Exchange Act of 1934.

### **Item 15. Recent Sales of Unregistered Securities.**

In the three years preceding the filing of this registration statement, we have issued the following securities that were not registered under the Securities Act:

#### ***(a) Issuances of Capital Stock***

In March 2014, with subsequent closings in October 2014 and April 2015, we sold an aggregate of 17,565,679 shares of our Series A preferred stock to 10 investors for aggregate consideration of approximately \$17.3 million, including investors converting notes at a discounted purchase price in exchange for shares.

In January 2016, we entered into a convertible note purchase agreement, pursuant to which, including by means of multiple subsequent closings through June of 2016, we issued and sold to 15 investors an aggregate principal amount of \$8.0 million of convertible promissory notes, or the initial 2016 notes. All of the initial 2016 notes in aggregate principal amount of \$8.0 million, together with accrued interest of \$0.2 million, were used as consideration by the investors to purchase 8,183,792 shares of our Series A preferred stock in August 2016.

In August 2016, we entered into a convertible note purchase agreement, pursuant to which, including by means of secondary closings in September 2016, we issued and sold to 9 investors an aggregate principal amount of \$4.7 million of convertible promissory notes, or the secondary 2016 notes. All of the secondary 2016 notes in aggregate principal amount of \$4.7 million, together with accrued interest of \$0.1 million, were used as consideration by the investors to purchase our Series B preferred stock in December 2016.

In December 2016, we sold an aggregate of 46,962,784 shares of our Series B preferred stock to 11 investors for aggregate consideration of approximately \$45.7 million, including investors converting notes at a discounted purchase price in exchange for shares of our Series B preferred stock.

No underwriters were involved in the foregoing sales of securities. The sales of securities described above were deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act, including Regulation D and Rule 506 promulgated thereunder, as transactions by an issuer not involving a public offering. All of the purchasers in these transactions represented to us in connection with their purchase that they were acquiring the securities for



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investment and not distribution, that they could bear the risks of the investment and could hold the securities for an indefinite period of time. Such purchasers received written disclosures that the securities had not been registered under the Securities Act and that any resale must be made pursuant to a registration or an available exemption from such registration. All of the foregoing securities are deemed restricted securities for the purposes of the Securities Act.

### **(b) Grants and Exercises of Stock Options**

We have granted stock options to purchase an aggregate of 8,986,046 shares of our common stock, with exercise prices ranging from \$0.011 to \$1.49 per share, to employees, directors and consultants pursuant to the 2014 Stock Incentive Plan, or the 2014 Plan. Since June 30, 2014, and through the date of filing, 438,178 shares of common stock have been issued upon the exercise of stock options pursuant to the 2014 Plan.

The issuances of the securities described above were deemed to be exempt from registration pursuant to Section 4(a)(2) of the Securities Act or Rule 701 promulgated under the Securities Act as transactions pursuant to compensatory benefit plans. The shares of common stock issued upon the exercise of options are deemed to be restricted securities for purposes of the Securities Act.

### **Item 16. Exhibits and Financial Statement Schedules.**

The exhibits to the registration statement are listed in the Exhibit Index to this registration statement and are incorporated herein by reference.

### **Item 17. Undertakings.**

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.

The Registrant hereby undertakes that:

- (a) The Registrant will provide to the underwriter at the closing as specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.
- (b) For purposes of determining any liability under the Securities Act of 1933, as amended, the information omitted from a form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in the form of prospectus filed by the Registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Securities Act of 1933, as amended, shall be deemed to be part of this registration statement as of the time it was declared effective.
- (c) For the purpose of determining any liability under the Securities Act of 1933, as amended, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

**SIGNATURES**

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this Registration Statement on Form S-1 to be signed on its behalf by the undersigned, thereunto duly authorized, in the Town of Burlington, Commonwealth of Massachusetts, on the \_\_\_\_\_ day of \_\_\_\_\_, 2017.

**SCPHARMACEUTICALS INC.**

By: \_\_\_\_\_  
John H. Tucker  
*President, Chief Executive Officer, and Principal Executive Officer*

**POWER OF ATTORNEY AND SIGNATURES**

Each individual whose signature appears below hereby constitutes and appoints each of John H. Tucker, Abraham Ceesay and Troy Ignelzi and as such person's true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such person in such person's name, place and stead, in any and all capacities, to sign any and all amendments (including post-effective amendments) to this Registration Statement (or any Registration Statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act of 1933), and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission granting unto each said attorney-in-fact and agent full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises, as fully to all intents and purposes as such person might or could do in person, hereby ratifying and confirming all that any said attorney-in-fact and agent, or any substitute or substitutes of any of them, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act of 1933, as amended, this Registration Statement and Power of Attorney has been signed by the following person in the capacities and on the date indicated.

<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
_____ John H. Tucker	<i>Director, President, Chief Executive Officer, and Principal Executive Officer</i>	
_____ Troy Ignelzi	<i>Chief Financial Officer and Principal Financial and Accounting Officer</i>	
_____ Mette Kirstine Agger	<i>Director</i>	
_____ Dorothy Coleman	<i>Director</i>	
_____ Abhay Gandhi	<i>Director</i>	

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<u>NAME</u>	<u>TITLE</u>	<u>DATE</u>
_____ Jack A. Khattar	<i>Director</i>	
_____ Kush M. Parmar, M.D., Ph.D.	<i>Director</i>	
_____ Leonard D. Schaeffer	<i>Director</i>	
_____ Jonathan Silverstein	<i>Director</i>	

**EXHIBIT INDEX**

<b>EXHIBIT NO.</b>	<b>EXHIBIT INDEX</b>
1.1*	Form of Underwriting Agreement
3.1	Amended and Restated Certificate of Incorporation of the Registrant, as currently in effect
3.2*	Amendment to Amended and Restated Certificate of Incorporation of the Registrant (to be adopted prior to the effectiveness of this registration statement)
3.3*	Form of Amended and Restated Certificate of Incorporation of the Registrant (to be effective upon the closing of this offering)
3.4	By-laws of the Registrant, as currently in effect
3.5*	Form of Amended and Restated By-laws (to be effective upon the closing of this offering)
4.1	Amended and Restated Investors' Rights Agreement among the Registrant and certain of its stockholders, dated December 22, 2016
5.1*	Opinion of Goodwin Procter LLP
10.1#	2014 Stock Incentive Plan, as amended, and forms of award agreements thereunder
10.2#*	2017 Stock Option and Incentive Plan and forms of award agreements thereunder
10.3#*	Senior Executive Cash Incentive Bonus Plan
10.4#*	Form of Indemnification Agreement
10.5	Office Lease Agreement, dated as of June 2, 2017, by and between the Registrant and NEEP Investors Holdings LLC
10.6†	License Agreement, dated as of June 29, 2015, by and among the Registrant, Sensile Medical AG, Sensile Holdings AG, and Sensile Patent AG, as amended by (i) First Amendment to License Agreement, dated as of June 29, 2016, (ii) Amendment No. 2 to License Agreement, dated as of August 5, 2016, (iii) Third Amendment to License Agreement, dated as of November 22, 2016 and (iv) Fourth Amendment to License Agreement, dated as of February 25, 2017
10.7	Loan and Security Agreement, dated as of May 23, 2017, by and among the Registrant, Solar Capital Ltd., as collateral agent, and the lenders listed on Schedule 1.1 thereto or otherwise a party thereto from time to time, including Solar Capital Ltd., as a lender, and Silicon Valley Bank, as a lender
10.8#*	Amended and Restated Employment Agreement, by and between the Registrant and John H. Tucker (to be entered into in connection with this offering)
10.9#*	Amended and Restated Employment Agreement, by and between the Registrant and Abraham Ceesay (to be entered into in connection with this offering)
10.10#*	Amended and Restated Employment Agreement, by and between the Registrant and Troy Ignelzi (to be entered into in connection with this offering)
21.1	Subsidiaries of the Registrant
23.1*	Consent of RSM US LLP, Independent Registered Public Accounting Firm
23.2*	Consent of Goodwin Procter LLP (included in Exhibit 5.1)
24.1*	Power of Attorney (included in page II-4)

\* To be included by amendment

† Application has been made to the Securities and Exchange Commission for confidential treatment of certain provisions. Omitted material for which confidential treatment has been requested has been filed separately with the Securities and Exchange Commission.

# Indicates a management contract or any compensatory plan, contract or arrangement

AMENDED AND RESTATED  
CERTIFICATE OF INCORPORATION  
OF  
scPHARMACEUTICALS INC.

scPharmaceuticals Inc., a corporation organized and existing under and by virtue of the General Corporation Law of the State of Delaware (the “**General Corporation Law**”), DOES HEREBY CERTIFY:

1. The name of this corporation is scPharmaceuticals Inc. (the “**Corporation**”), and the Corporation was originally incorporated pursuant to the General Corporation Law on March 24, 2014, as amended by a Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of the State of Delaware on October 10, 2014, by a second Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of the State of Delaware on March 16, 2016, and by a Certificate of Amendment of Certificate of Incorporation filed with the Secretary of State of the State of Delaware on August 22, 2016 (as so amended, the “**Original Certificate of Incorporation**”).

2. That the Board of Directors duly adopted resolutions proposing to amend and restate the Original Certificate of Incorporation, declaring said amendment and restatement to be advisable and in the best interests of the Corporation and its stockholders, and authorizing the appropriate officers of the Corporation to solicit the consent of the stockholders therefor, which resolution setting forth the proposed amendment and restatement is as follows:

**RESOLVED**, that the Original Certificate of Incorporation of this Corporation be amended and restated in its entirety to read as follows:

**FIRST:** The name of this corporation is scPharmaceuticals Inc.

**SECOND:** The address of the registered office of the Corporation in the State of Delaware is 1209 Orange Street, in the City of Wilmington, County of New Castle, Delaware 19801. The name of its registered agent at such address is The Corporation Trust Company.

**THIRD:** The nature of the business or purposes to be conducted or promoted is to engage in any lawful act or activity for which corporations may be organized under the General Corporation Law.

**FOURTH:** The total number of shares of all classes of stock which the Corporation shall have authority to issue is (i) 95,000,000 shares of Common Stock, \$0.0001 par value per share (“**Common Stock**”), and (ii) 72,712,255 shares of Preferred Stock, \$0.0001 par value per share (“**Preferred Stock**”).

The following is a statement of the designations and the powers, privileges and rights, and the qualifications, limitations or restrictions thereof in respect of each class of capital stock of the Corporation.

## A. COMMON STOCK

1. General. The voting, dividend and liquidation rights of the holders of the Common Stock are subject to and qualified by the rights, powers and preferences of the holders of the Preferred Stock set forth herein.

2. Voting. The holders of the Common Stock are entitled to one vote for each share of Common Stock held at all meetings of stockholders (and written actions in lieu of meetings); provided, however, that, except as otherwise required by law, holders of Common Stock, as such, shall not be entitled to vote on any amendment to this Amended and Restated Certificate of Incorporation (this "**Certificate of Incorporation**") that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled, either separately or together with the holders of one or more other such series, to vote thereon pursuant to this Certificate of Incorporation or pursuant to the General Corporation Law. There shall be no cumulative voting. The number of authorized shares of Common Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by (in addition to any vote of the holders of one or more series of Preferred Stock that may be required by the terms of this Certificate of Incorporation) the affirmative vote of the holders of shares of capital stock of this Corporation representing a majority of the votes represented by all outstanding shares of capital stock of the Corporation entitled to vote, irrespective of the provisions of Section 242(b)(2) of the General Corporation Law.

## B. PREFERRED STOCK

Preferred Stock may be issued from time to time in one or more series, each of such series to consist of such number of shares and to have such terms, rights, powers and preferences, and the qualifications and limitations with respect thereto, as stated or expressed herein.

25,749,471 shares of the authorized Preferred Stock of the Corporation are hereby designated "**Series A Preferred Stock**" and 46,962,784 shares of authorized Preferred Stock are hereby designated "**Series B Preferred Stock**", with each series having the following rights, preferences, powers, privileges and restrictions, qualifications and limitations. Unless otherwise indicated, references to "sections" or "subsections" in this Part B of this Article Fourth refer to sections and subsections of Part B of this Article Fourth.

### 1. Dividends.

1.1 Non-Cumulative Dividend. From and after the Series B Original Issue Date and, with respect to the Series A Preferred Stock, indefinitely thereafter and, with respect to the Series B Preferred Stock, through December 31, 2017, the holders of Series A Preferred Stock and the Series B Preferred Stock then outstanding, on a pari passu basis, shall be entitled to receive non-cumulative cash dividends, out of any assets legally available therefor, prior and in preference to any declaration or payment of any dividend on shares of Common Stock (payable other than in Common Stock), at the rate of six percent (6%) of the Series A Original Issue Price (as defined below) per share of Series A Preferred Stock (the "**Series A Dividend**"), or the Series B Original Issue Price (as defined below) per share of Series B

Preferred Stock (the “**Series B Original Dividend**”, and together with the Series A Dividend, the “**Non-Cumulative Dividend**”), as the case may be, per annum, payable only when, as and if declared by the Board of Directors of the Corporation.

1.2 Series B Accruing Dividend. From and after January 1, 2018, dividends at the rate per annum of six percent (6%) of the Series B Base Amount (as defined below) shall accrue on each share of Series B Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock) (the “**Series B Accruing Dividends**”). For purposes of the foregoing, the “**Series B Base Amount**” shall equal the Series B Original Issue Price (as defined below) plus any accrued but unpaid dividends that have been compounded in accordance with the following sentence. The Series B Accruing Dividends shall accrue and compound from day to day, whether or not declared, and shall be cumulative and will be payable at the election of the Board of Directors of the Corporation in cash; provided however, that except as set forth in Subsection 1.3 or in Subsection 2.1, such Series B Accruing Dividends shall be payable only when, as, and if declared by the Board of Directors and the Corporation shall be under no obligation to pay such Series B Accruing Dividends. Notwithstanding the foregoing, in no event shall the value of the Series B Accruing Dividend per share of Series B Preferred Stock exceed twenty percent (20%) of the Series B Original Issue Price on a cumulative basis (including any dividends previously paid pursuant to this Subsection 1.2).

1.3 Preferred Dividend. The Corporation shall not declare, pay or set aside any dividends on shares of any class or series of capital stock of the Corporation (other than (i) dividends on shares of Common Stock payable in shares of Common Stock and (ii) Series B Accruing Dividends) unless (in addition to the obtaining of any consents required elsewhere in this Certificate of Incorporation) the holders of the Series A Preferred Stock and Series B Preferred Stock then outstanding shall on a pari passu basis first receive, or simultaneously receive, the dividend described in Subsection 1.1 above or the first sentence of Subsection 1.2, as applicable, plus, in addition to the dividend described in Subsection 1.1 above or the first sentence of Subsection 1.2, as applicable, a dividend on each outstanding share of Series A Preferred Stock or Series B Preferred Stock, as the case may be, in an amount at least equal to (i) in the case of a dividend on Common Stock or any class or series that is convertible into Common Stock, that dividend per share of Series A Preferred Stock or Series B Preferred Stock, as the case may be, as would equal the product of (A) the dividend payable on each share of such class or series determined, if applicable, as if all shares of such class or series had been converted into Common Stock and (B) the number of shares of Common Stock issuable upon conversion of a share of Series A Preferred Stock or Series B Preferred Stock, as the case may be, in each case calculated on the record date for determination of holders entitled to receive such dividend or (ii) in the case of a dividend on any class or series that is not convertible into Common Stock, at a rate per share of Series A Preferred Stock or Series B Preferred Stock, as the case may be, determined by (A) dividing the amount of the dividend payable on each share of such class or series of capital stock by the original issuance price of such class or series of capital stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to such class or series) and (B) multiplying such fraction by an amount equal to the Series A Original Issue Price (as defined below), in the case of the Series A Preferred Stock, or the Series B Original Issue Price (as defined below), in the case of the Series B Preferred Stock; provided that, if the Corporation

declares, pays or sets aside, on the same date, a dividend on shares of more than one class or series of capital stock of the Corporation, the dividend payable to the holders of Series A Preferred Stock and Series B Preferred Stock pursuant to this Section 1 shall be calculated based upon the dividend on the class or series of capital stock that would result in the highest dividend for the Series A Preferred Stock and the Series B Preferred Stock. The “**Series A Original Issue Price**” shall mean \$1.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series A Preferred Stock. The “**Series B Original Issue Price**” shall mean \$1.00 per share, subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Series B Preferred Stock.

2. Liquidation, Dissolution or Winding Up; Certain Mergers, Consolidations and Asset Sales.

2.1 Preferential Payments to Holders of Preferred Stock.

(a) In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the holders of shares of Series B Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of Series A Preferred Stock or Common Stock by reason of their ownership thereof, an amount per share equal to the Series B Original Issue Price, plus any Series B Original Dividend declared but unpaid thereon, plus any unpaid Series B Accruing Dividends accrued thereon, plus any other dividends declared but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series B Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1(a), the holders of shares of Series B Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.

(b) After payment has been made to the holders of Series B Preferred Stock of the full preferential amount to which they shall be entitled as set forth in Subsection 2.1(a), in the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the holders of shares of Series A Preferred Stock then outstanding shall be entitled to be paid out of the assets of the Corporation available for distribution to its stockholders before any payment shall be made to the holders of Common Stock by reason of their ownership thereof, an amount per share equal to the Series A Original Issue Price, plus any dividends declared but unpaid thereon. If upon any such liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, the assets of the Corporation available for distribution to its stockholders shall be insufficient to pay the holders of shares of Series A Preferred Stock the full amount to which they shall be entitled under this Subsection 2.1(b), the holders of shares of Series A Preferred Stock shall share ratably in any distribution of the assets available for distribution in proportion to the respective amounts which would otherwise be payable in respect of the shares held by them upon such distribution if all amounts payable on or with respect to such shares were paid in full.



2.2 **Distribution of Remaining Assets.** In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation or Deemed Liquidation Event, after the payment of all preferential amounts required to be paid to the holders of shares of Preferred Stock, the remaining assets of the Corporation available for distribution to its stockholders shall be distributed among the holders of the shares of Preferred Stock and Common Stock, pro rata based on the number of shares held by each such holder, treating for this purpose all such securities as if they had been converted to Common Stock pursuant to the terms of this Certificate of Incorporation immediately prior to such dissolution, liquidation, winding up or Deemed Liquidation Event of the Corporation; provided, however, that (x) if the aggregate amount (including upon such dissolution, liquidation, winding up or Deemed Liquidation Event and at each other date after such event on which additional amounts (such as earn-out payments, escrow amounts or other contingent payment(s)) are available for distribution) which the holders of Preferred Stock are entitled to receive under Subsections 2.1 and 2.2 shall exceed three (3) times the Series A Original Issue Price per share, in the case of Series A Preferred Stock, or three (3) times the Series B Original Issue Price per share, in the case of Series B Preferred Stock (in each case, as subject to appropriate adjustment in the event of a stock split, stock dividend, combination, reclassification, or similar event affecting the Series A Preferred Stock) (the “**Preferred Maximum Participation Amount**”), each holder of Preferred Stock shall be entitled to receive upon such liquidation, dissolution or winding up or Deemed Liquidation Event (including upon such dissolution, liquidation, winding up or Deemed Liquidation Event and at each other date after such event on which additional amounts (such as earn-out payments, escrow amounts or other contingent payment(s)) are available for distribution) of the Corporation the greater of (i) the applicable Preferred Maximum Participation Amount and (ii) the amount such holder would have received if all shares of Preferred Stock had been converted into Common Stock immediately prior to such liquidation, dissolution, winding up or Deemed Liquidation Event of the Corporation (giving effect to the proceeds available for distribution at the liquidation, dissolution, winding up or Deemed Liquidation Event of the Corporation and at each other date after such event on which additional amounts are available for distribution). The aggregate amount which a holder of a share of Series A Preferred Stock is entitled to receive under Subsections 2.1 and 2.2 is hereinafter referred to as the “**Series A Liquidation Amount**”, and the aggregate amount which a holder of a share of Series B Preferred Stock is entitled to receive under Subsections 2.1 and 2.2 is hereinafter referred to as the “**Series B Liquidation Amount**.”

### 2.3 Deemed Liquidation Events.

2.3.1 Definition. Each of the following events shall be considered a “**Deemed Liquidation Event**” unless the holders of at least sixty percent (60%) of the outstanding shares of Preferred Stock voting together as a single class on an as-converted basis (the “**Preferred Majority**”) elect otherwise by written notice sent to the Corporation at least ten days prior to the effective date of any such event:

- (a) a merger or consolidation in which
  - (i) the Corporation is a constituent party, or
  - (ii) a subsidiary of the Corporation is a constituent party and the Corporation issues shares of its capital stock pursuant to such merger or consolidation,

except any such merger or consolidation involving the Corporation or a subsidiary in which the shares of capital stock of the Corporation outstanding immediately prior to such merger or consolidation continue to represent, or are converted into or exchanged for shares of capital stock that represent, immediately following such merger or consolidation, at least fifty percent (50%), by voting power, of the capital stock of (1) the surviving or resulting corporation or (2) if the surviving or resulting corporation is a wholly owned subsidiary of another corporation immediately following such merger or consolidation, the parent corporation of such surviving or resulting corporation; or

(b) the sale, lease, transfer, exclusive license or other disposition, in a single transaction or series of related transactions, by the Corporation or any subsidiary of the Corporation of all or substantially all the assets of the Corporation and its subsidiaries taken as a whole, or the sale or disposition (whether by merger or otherwise) of one or more subsidiaries of the Corporation if substantially all of the assets of the Corporation and its subsidiaries taken as a whole are held by such subsidiary or subsidiaries, except where such sale, lease, transfer, exclusive license or other disposition is to a wholly owned subsidiary of the Corporation.

### 2.3.2 Effecting a Deemed Liquidation Event.

(a) The Corporation shall not have the power to effect a Deemed Liquidation Event referred to in Subsection 2.3.1(a)(i) unless the agreement or plan of merger or consolidation for such transaction (the “**Merger Agreement**”) provides that the consideration payable to the stockholders of the Corporation shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2.

(b) In the event of a Deemed Liquidation Event referred to in Subsection 2.3.1(a)(ii) or 2.3.1(b), if the Corporation does not effect a dissolution of the Corporation under the General Corporation Law within 90 days after such Deemed Liquidation Event, then (i) the Corporation shall send a written notice to each holder of Preferred Stock no later than the 90th day after the Deemed Liquidation Event advising such holders of their right (and the requirements to be met to secure such right) pursuant to the terms of the following clause (ii) to require the redemption of such shares of Preferred Stock, and (iii) if the Preferred Majority so request in a written instrument delivered to the Corporation not later than 120 days after such Deemed Liquidation Event, the Corporation shall use the consideration received by the Corporation for such Deemed Liquidation Event (net of any retained liabilities associated with the assets sold or technology licensed, as determined in good faith by the Board of Directors of the Corporation), together with any other assets of the Corporation available for distribution to its stockholders, all to the extent permitted by Delaware law governing distributions to stockholders (the “**Available Proceeds**”), on the 150th day after such Deemed Liquidation Event, to redeem all outstanding shares of Preferred Stock at a price per share equal to the Series A Liquidation Amount or the Series B Liquidation Amount, as applicable. Notwithstanding the foregoing, in the event of a redemption pursuant to the preceding sentence, if the Available

Proceeds are not sufficient to redeem all outstanding shares of Preferred Stock, the Corporation shall ratably redeem each holder's shares of Preferred Stock to the fullest extent of such Available Proceeds, and shall redeem the remaining shares as soon as it may lawfully do so under Delaware law governing distributions to stockholders. The provisions of Section 6 shall apply, with such necessary changes in the details thereof as are necessitated by the context, to the redemption of the Preferred Stock pursuant to this Subsection 2.3.2(b). Prior to the distribution or redemption provided for in this Subsection 2.3.2(b), the Corporation shall not expend or dissipate the consideration received for such Deemed Liquidation Event, except to discharge expenses incurred in connection with such Deemed Liquidation Event or in the ordinary course of business.

2.3.3 Amount Deemed Paid or Distributed. The amount deemed paid or distributed to the holders of capital stock of the Corporation upon any such merger, consolidation, sale, transfer, exclusive license, other disposition or redemption shall be the cash or the value of the property, rights or securities paid or distributed to such holders by the Corporation or the acquiring person, firm or other entity. The value of such property, rights or securities shall be determined in good faith by the Board of Directors of the Corporation.

2.3.4 Allocation of Escrow and Contingent Consideration. In the event of a Deemed Liquidation Event pursuant to Subsection 2.3.1(a)(i), if any portion of the consideration payable to the stockholders of the Corporation is payable only upon satisfaction of contingencies (the "**Additional Consideration**"), the Merger Agreement shall provide that (a) the portion of such consideration that is not Additional Consideration (such portion, the "**Initial Consideration**") shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2 as if the Initial Consideration were the only consideration payable in connection with such Deemed Liquidation Event and (b) any Additional Consideration which becomes payable to the stockholders of the Corporation upon satisfaction of such contingencies shall be allocated among the holders of capital stock of the Corporation in accordance with Subsections 2.1 and 2.2 after taking into account the previous payment of the Initial Consideration as part of the same transaction. For the purposes of this Subsection 2.3.4, consideration placed into escrow or retained as holdback to be available for satisfaction of indemnification or similar obligations in connection with such Deemed Liquidation Event shall be deemed to be Additional Consideration.

### 3. Voting.

3.1 General. On any matter presented to the stockholders of the Corporation for their action or consideration at any meeting of stockholders of the Corporation (or by written consent of stockholders in lieu of meeting), each holder of outstanding shares of Preferred Stock shall be entitled to cast the number of votes equal to the number of whole shares of Common Stock into which the shares of Preferred Stock held by such holder are convertible as of the record date for determining stockholders entitled to vote on such matter. Except as provided by law or by the other provisions of this Certificate of Incorporation, holders of Preferred Stock shall vote together with the holders of Common Stock as a single class.

3.2 **Election of Directors.** The holders of record of the shares of Series A Preferred Stock, voting exclusively and as a separate series, shall be entitled to elect two (2) directors of the Corporation, and the holders of record of the shares of Series B Preferred Stock, voting exclusively and as a separate series, shall be entitled to elect two (2) directors of the Corporation (collectively, the “**Preferred Directors**”). The holders of record of the shares of Common Stock, exclusively and as a separate class, shall be entitled to elect one (1) director of the Corporation. Any director elected as provided in this Subsection 3.2 may be removed without cause by, and only by, the affirmative vote of the holders of the shares of the class or series of capital stock entitled to elect such director or directors, given either at a special meeting of such stockholders duly called for that purpose or pursuant to a written consent of stockholders. If the holders of shares of Preferred Stock or Common Stock, as the case may be, fail to elect a sufficient number of directors to fill all directorships for which they are entitled to elect directors, voting exclusively and as a separate class, pursuant to the first two sentences of this Subsection 3.2, then any directorship not so filled shall remain vacant until such time as the holders of the Preferred Stock or Common Stock, as the case may be, elect a person to fill such directorship by vote or written consent in lieu of a meeting; and no such directorship may be filled by stockholders of the Corporation other than by the stockholders of the Corporation that are entitled to elect a person to fill such directorship, voting exclusively and as a separate class. The holders of record of the shares of Common Stock and of any other class or series of voting stock (including the Preferred Stock), exclusively and voting together as a single class, shall be entitled to elect the balance of the total number of directors of the Corporation. At any meeting held for the purpose of electing a director, the presence in person or by proxy of the holders of a majority of the outstanding shares of the class or series entitled to elect such director shall constitute a quorum for the purpose of electing such director. Except as otherwise provided in this Subsection 3.2, a vacancy in any directorship filled by the holders of any class or series shall be filled only by vote or written consent in lieu of a meeting of the holders of such class or series or by any remaining director or directors elected by the holders of such class or series pursuant to this Subsection 3.2. The rights of the holders of the Preferred Stock and the rights of the holders of the Common Stock under the first sentence of this Subsection 3.2 shall terminate on the first date following the Series B Original Issue Date (as defined below) on which there are issued and outstanding less than 10,906,839 shares of Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock).

3.3 **Preferred Stock Protective Provisions.** At any time when at least 10,906,839 shares of Preferred Stock (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Preferred Stock) are outstanding, the Corporation shall not, either directly or indirectly by amendment, merger, consolidation or otherwise, do any of the following without (in addition to any other vote required by law or this Certificate of Incorporation) the written consent or affirmative vote of the Preferred Majority, given in writing or by vote at a meeting, consenting or voting (as the case may be) separately as a class, and any such act or transaction entered into without such consent or vote shall be null and void ab initio, and of no force or effect.

3.3.1 liquidate, dissolve or wind-up the business and affairs of the Corporation, effect any merger or consolidation or any other Deemed Liquidation Event, or consent to any of the foregoing;

3.3.2 (i) amend, alter, waive or repeal any provision of this Certificate of Incorporation or Bylaws of the Corporation, (ii) increase or decrease the authorized number of shares of Common Stock or Preferred Stock of the Corporation or (iii) otherwise take any action to alter any of the rights, preferences or privileges of the Preferred Stock;

3.3.3 create, or authorize the creation of, any additional class or series of capital stock unless the same ranks junior to the Series B Preferred Stock with respect to the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends and rights of redemption, or increase or decrease the authorized number of shares of any series of capital stock;

3.3.4 (i) reclassify, alter or amend any existing security of the Corporation that is pari passu with the Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to the Preferred Stock in respect of any such right, preference or privilege, or (ii) reclassify, alter or amend any existing security of the Corporation that is junior to the Preferred Stock in respect of the distribution of assets on the liquidation, dissolution or winding up of the Corporation, the payment of dividends or rights of redemption, if such reclassification, alteration or amendment would render such other security senior to or pari passu with the Preferred Stock in respect of any such right, preference or privilege;

3.3.5 purchase or redeem (or permit any subsidiary to purchase or redeem) or pay or declare any dividend or make any distribution on, any shares of capital stock of the Corporation other than (i) redemptions of or dividends or distributions on the Preferred Stock as expressly authorized herein, (ii) dividends or other distributions payable on the Common Stock solely in the form of additional shares of Common Stock and (iii) repurchases of stock from former employees, officers, directors, consultants or other persons who performed services for the Corporation or any subsidiary in connection with the cessation of such employment or service at the lower of the original purchase price or the then-current fair market value thereof;

3.3.6 create, or authorize the creation of, or issue, or authorize the issuance of any debt security, or permit any subsidiary to take any such action with respect to any debt security, if the aggregate indebtedness of the Corporation and its subsidiaries for borrowed money following such action would exceed \$1.0 million other than equipment leases;

3.3.7 enter into any agreement or arrangement pursuant to which the Corporation is obligated to make or guarantee payments or has financial obligations in excess of \$1.0 million;

3.3.8 issue any equity securities of the Corporation in connection with the acquisition of all of the equity capital of any third party or all or substantially all of the assets of a third party, which securities would constitute more than ten percent (10%) of the shares of the Corporation's outstanding Common Stock immediately prior to such transaction (calculated on an as-converted to Common Stock basis);

3.3.9 create, or hold capital stock in, any subsidiary that is not wholly owned (either directly or through one or more other subsidiaries) by the Corporation, or sell, transfer or otherwise dispose of any capital stock of any direct or indirect subsidiary of the Corporation, or permit any direct or indirect subsidiary to sell, lease, transfer, exclusively license or otherwise dispose (in a single transaction or series of related transactions) of all or substantially all of the assets of such subsidiary; or

3.3.10 increase or decrease the authorized number of directors constituting the Board of Directors.

#### 4. Optional Conversion.

The holders of the Preferred Stock shall have conversion rights as follows (the “**Conversion Rights**”):

##### 4.1 Right to Convert.

4.1.1 Conversion Ratio. Each share of Preferred Stock shall be convertible, at the option of the holder thereof, at any time and from time to time, and without the payment of additional consideration by the holder thereof, into such number of fully paid and nonassessable shares of Common Stock as is determined by dividing the Series A Original Issue Price or the Series B Original Issue Price, as the case may be, by the applicable Conversion Price (as defined below) in effect at the time of conversion. The “**Series A Conversion Price**” shall initially be equal to \$1.00. Such initial Series A Conversion Price, and the rate at which shares of Series A Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below. The “**Series B Conversion Price**” shall initially be equal to \$1.00. Such initial Series B Conversion Price, and the rate at which shares of Series B Preferred Stock may be converted into shares of Common Stock, shall be subject to adjustment as provided below. The Series A Conversion Price and the Series B Conversion Price are hereinafter referred to together as the “**Conversion Price**”.

4.1.2 Termination of Conversion Rights. In the event of a notice of redemption of any shares of Preferred Stock pursuant to Section 6, the Conversion Rights of the shares designated for redemption shall terminate at the close of business on the last full day preceding the date fixed for redemption, unless the redemption price is not fully paid on such redemption date, in which case the Conversion Rights for such shares shall continue until such price is paid in full. In the event of a liquidation, dissolution or winding up of the Corporation or a Deemed Liquidation Event, the Conversion Rights shall terminate at the close of business on the last full day preceding the date fixed for the payment of any such amounts distributable on such event to the holders of Preferred Stock.

4.2 Fractional Shares. No fractional shares of Common Stock shall be issued upon conversion of the Preferred Stock. In lieu of any fractional shares to which the holder would otherwise be entitled, the Corporation shall pay cash equal to such fraction multiplied by the fair market value of a share of Common Stock as determined in good faith by the Board of Directors of the Corporation. Whether or not fractional shares would be issuable upon such conversion shall be determined on the basis of the total number of shares of Preferred Stock that the holder is at the time converting into Common Stock and the aggregate number of shares of Common Stock issuable upon such conversion.

#### 4.3 Mechanics of Conversion.

4.3.1 Notice of Conversion. In order for a holder of Preferred Stock to voluntarily convert shares of Preferred Stock into shares of Common Stock, such holder shall surrender the certificate or certificates for such shares of Preferred Stock (or, if such registered holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate), at the office of the transfer agent for the Preferred Stock (or at the principal office of the Corporation if the Corporation serves as its own transfer agent), together with written notice that such holder elects to convert all or any number of the shares of the Preferred Stock represented by such certificate or certificates and, if applicable, any event on which such conversion is contingent. Such notice shall state such holder's name or the names of the nominees in which such holder wishes the certificate or certificates for shares of Common Stock to be issued. If required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by a written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or his, her or its attorney duly authorized in writing. The close of business on the date of receipt by the transfer agent (or by the Corporation if the Corporation serves as its own transfer agent) of such certificates (or lost certificate affidavit and agreement) and notice shall be the time of conversion (the "**Conversion Time**"), and the shares of Common Stock issuable upon conversion of the shares represented by such certificate shall be deemed to be outstanding of record as of such date. The Corporation shall, as soon as practicable after the Conversion Time, (i) issue and deliver to such holder of Preferred Stock, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable upon such conversion in accordance with the provisions hereof and a certificate for the number (if any) of the shares of Preferred Stock represented by the surrendered certificate that were not converted into Common Stock, (ii) pay in cash such amount as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and (iii) pay all declared but unpaid dividends on the shares of Preferred Stock converted.

4.3.2 Reservation of Shares. The Corporation shall at all times when the Preferred Stock shall be outstanding, reserve and keep available out of its authorized but unissued capital stock, for the purpose of effecting the conversion of the Preferred Stock, such number of its duly authorized shares of Common Stock as shall from time to time be sufficient to effect the conversion of all outstanding Preferred Stock; and if at any time the number of authorized but unissued shares of Common Stock shall not be sufficient to effect the conversion of all then outstanding shares of the Preferred Stock, the Corporation shall take such corporate action as may be necessary to increase its authorized but unissued shares of Common Stock to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in best efforts to obtain the requisite stockholder approval of any necessary amendment to this Certificate of Incorporation. Before taking any action which would cause an adjustment reducing the applicable Conversion Price of a series of Preferred Stock below the then par value of the shares of Common Stock issuable upon conversion of such series of

Preferred Stock, the Corporation will take any corporate action which may, in the opinion of its counsel, be necessary in order that the Corporation may validly and legally issue fully paid and nonassessable shares of Common Stock at such adjusted applicable Conversion Price.

4.3.3 Effect of Conversion. All shares of Preferred Stock which shall have been surrendered for conversion as herein provided shall no longer be deemed to be outstanding and all rights with respect to such shares shall immediately cease and terminate at the Conversion Time, except only the right of the holders thereof to receive shares of Common Stock in exchange therefor, to receive payment in lieu of any fraction of a share otherwise issuable upon such conversion as provided in Subsection 4.2 and to receive payment of any dividends declared but unpaid thereon. Any shares of Preferred Stock so converted shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

4.3.4 No Further Adjustment. Upon any such conversion, no adjustment to the applicable Conversion Price of a series of Preferred Stock shall be made for any declared but unpaid dividends on such series of Preferred Stock surrendered for conversion or on the Common Stock delivered upon conversion.

4.3.5 Taxes. The Corporation shall pay any and all issue and other similar taxes that may be payable in respect of any issuance or delivery of shares of Common Stock upon conversion of shares of Preferred Stock pursuant to this Section 4. The Corporation shall not, however, be required to pay any tax which may be payable in respect of any transfer involved in the issuance and delivery of shares of Common Stock in a name other than that in which the shares of Preferred Stock so converted were registered, and no such issuance or delivery shall be made unless and until the person or entity requesting such issuance has paid to the Corporation the amount of any such tax or has established, to the satisfaction of the Corporation, that such tax has been paid.

4.4 Adjustments to Conversion Price for Diluting Issues.

4.4.1 Special Definitions. For purposes of this Article Fourth, the following definitions shall apply:

- (a) **“Option”** shall mean rights, options or warrants to subscribe for, purchase or otherwise acquire Common Stock or Convertible Securities.
- (b) **“Series B Original Issue Date”** shall mean the date on which the first share of Series B Preferred Stock was issued.
- (c) **“Convertible Securities”** shall mean any evidences of indebtedness, shares or other securities directly or indirectly convertible into or exchangeable for Common Stock, but excluding Options.
- (d) **“Additional Shares of Common Stock”** shall mean all shares of Common Stock issued (or, pursuant to Subsection 4.4.3 below, deemed to be issued) by the Corporation after the Series B Original Issue Date, other than (1) the following



shares of Common Stock and (2) shares of Common Stock deemed issued pursuant to the following Options and Convertible Securities (clauses (1) and (2), collectively, “**Exempted Securities**”):

- (i) shares of Common Stock, Options or Convertible Securities issued as a dividend or distribution on Preferred Stock;
- (ii) shares of Common Stock, Options or Convertible Securities issued by reason of a dividend, stock split, split-up or other distribution on shares of Common Stock that is covered by Subsection 4.5, 4.6, 4.7 or 4.8;
- (iii) shares of Common Stock or Options issued to employees or directors of, or consultants or advisors to, the Corporation or any of its subsidiaries pursuant to a plan, agreement or arrangement approved by the Board of Directors of the Corporation, including a majority of the Preferred Directors;
- (iv) shares of Common Stock or Convertible Securities actually issued upon the exercise of Options or shares of Common Stock actually issued upon the conversion or exchange of Convertible Securities, in each case provided such issuance is pursuant to the terms of such Option or Convertible Security;
- (v) shares of Common Stock, Options or Convertible Securities issued to banks, equipment lessors or other financial institutions, or to real property lessors, pursuant to a debt financing, equipment leasing or real property leasing transaction approved by the Board of Directors of the Corporation, including a majority of the Preferred Directors;
- (vi) shares of Common Stock, Options or Convertible Securities issued to suppliers or third party service providers in connection with the provision of goods or services pursuant to transactions approved by the Board of Directors of the Corporation, including a majority of the Preferred Directors; or

- (vii) shares of Common Stock, Options or Convertible Securities issued pursuant to the acquisition of another corporation by the Corporation by merger, purchase of substantially all of the assets or other reorganization or to pursuant to a joint venture agreement, provided, that such issuances are approved by the Board of Directors of the Corporation, including a majority of the Preferred Directors; or
- (viii) shares of Common Stock, Options or Convertible Securities issued in connection with sponsored research, collaboration, technology license, development, OEM, marketing or other similar agreements or strategic partnerships approved by the Board of Directors of the Corporation, including a majority of the Preferred Directors; or
- (ix) shares of Series B Preferred Stock issued pursuant to that certain Series B Preferred Stock Purchase Agreement, dated on or about December 22, 2016, as may be amended from time to time, by and among the Corporation and the other parties thereto.

4.4.2 No Adjustment of Conversion Price. No adjustment in the applicable Conversion Price of any series of Preferred Stock shall be made as the result of the issuance or deemed issuance of Additional Shares of Common Stock if the Corporation receives written notice from the Preferred Majority agreeing that no such adjustment shall be made as the result of the issuance or deemed issuance of such Additional Shares of Common Stock.

4.4.3 Deemed Issue of Additional Shares of Common Stock.

(a) If the Corporation at any time or from time to time after the Series B Original Issue Date shall issue any Options or Convertible Securities (excluding Options or Convertible Securities which are themselves Exempted Securities) or shall fix a record date for the determination of holders of any class of securities entitled to receive any such Options or Convertible Securities, then the maximum number of shares of Common Stock (as set forth in the instrument relating thereto, assuming the satisfaction of any conditions to exercisability, convertibility or exchangeability but without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or, in the case of Convertible Securities and Options therefor, the conversion or exchange of such

Convertible Securities, shall be deemed to be Additional Shares of Common Stock issued as of the time of such issue or, in case such a record date shall have been fixed, as of the close of business on such record date.

(b) If the terms of any Option or Convertible Security, the issuance of which resulted in an adjustment to the applicable Conversion Price of a series of Preferred Stock pursuant to the terms of Subsection 4.4.4, are revised as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase or decrease in the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any such Option or Convertible Security or (2) any increase or decrease in the consideration payable to the Corporation upon such exercise, conversion and/or exchange, then, effective upon such increase or decrease becoming effective, the applicable Conversion Price of a series of Preferred Stock computed upon the original issue of such Option or Convertible Security (or upon the occurrence of a record date with respect thereto) shall be readjusted to such applicable Conversion Price as would have obtained had such revised terms been in effect upon the original date of issuance of such Option or Convertible Security. Notwithstanding the foregoing, no readjustment pursuant to this clause (b) shall have the effect of increasing the applicable Conversion Price of a series of Preferred Stock to an amount which exceeds the lower of (i) the applicable Conversion Price of such series of Preferred Stock in effect immediately prior to the original adjustment made as a result of the issuance of such Option or Convertible Security, or (ii) the applicable Conversion Price of such series of Preferred Stock that would have resulted from any issuances of Additional Shares of Common Stock (other than deemed issuances of Additional Shares of Common Stock as a result of the issuance of such Option or Convertible Security) between the original adjustment date and such readjustment date.

(c) If the terms of any Option or Convertible Security (excluding Options or Convertible Securities which are themselves Exempted Securities), the issuance of which did not result in an adjustment to the applicable Conversion Price of a series of Preferred Stock pursuant to the terms of Subsection 4.4.4 (either because the consideration per share (determined pursuant to Subsection 4.4.5) of the Additional Shares of Common Stock subject thereto was equal to or greater than the applicable Conversion Price of such series of Preferred Stock then in effect, or because such Option or Convertible Security was issued before the Series B Original Issue Date), are revised after the Series B Original Issue Date as a result of an amendment to such terms or any other adjustment pursuant to the provisions of such Option or Convertible Security (but excluding automatic adjustments to such terms pursuant to anti-dilution or similar provisions of such Option or Convertible Security) to provide for either (1) any increase in the number of shares of Common Stock issuable upon the exercise, conversion or exchange of any such Option or Convertible Security or (2) any decrease in the consideration payable to the Corporation upon such exercise, conversion or exchange, then such Option or Convertible Security, as so amended or adjusted, and the Additional Shares of Common Stock subject thereto (determined in the manner provided in Subsection 4.4.3(a)) shall be deemed to have been issued effective upon such increase or decrease becoming effective.

(d) Upon the expiration or termination of any unexercised Option or unconverted or unexchanged Convertible Security (or portion thereof) which resulted (either upon its original issuance or upon a revision of its terms) in an adjustment to the applicable Conversion Price of a series of Preferred Stock pursuant to the terms of Subsection 4.4.4, the applicable Conversion Price of such series of Preferred Stock shall be readjusted to such applicable Conversion Price as would have obtained had such Option or Convertible Security (or portion thereof) never been issued.

(e) If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, is calculable at the time such Option or Convertible Security is issued or amended but is subject to adjustment based upon subsequent events, any adjustment to the applicable Conversion Price of a series of Preferred Stock provided for in this Subsection 4.4.3 shall be effected at the time of such issuance or amendment based on such number of shares or amount of consideration without regard to any provisions for subsequent adjustments (and any subsequent adjustments shall be treated as provided in clauses (b) and (c) of this Subsection 4.4.3). If the number of shares of Common Stock issuable upon the exercise, conversion and/or exchange of any Option or Convertible Security, or the consideration payable to the Corporation upon such exercise, conversion and/or exchange, cannot be calculated at all at the time such Option or Convertible Security is issued or amended, any adjustment to the applicable Conversion Price of a series of Preferred Stock that would result under the terms of this Subsection 4.4.3 at the time of such issuance or amendment shall instead be effected at the time such number of shares and/or amount of consideration is first calculable (even if subject to subsequent adjustments), assuming for purposes of calculating such adjustment to the applicable Conversion Price of such series of Preferred Stock that such issuance or amendment took place at the time such calculation can first be made.

4.4.4 Adjustment of Conversion Price Upon Issuance of Additional Shares of Common Stock. In the event the Corporation shall at any time after the Series B Original Issue Date issue Additional Shares of Common Stock (including Additional Shares of Common Stock deemed to be issued pursuant to Subsection 4.4.3), without consideration or for a consideration per share less than the applicable Conversion Price of a series of Preferred Stock in effect immediately prior to such issue, then the applicable Conversion Price of such series of Preferred Stock shall be reduced, concurrently with such issue, to a price (calculated to the nearest one-hundredth of a cent) determined in accordance with the following formula:

$$CP_2 = CP_1 * (A + B) / (A + C).$$

For purposes of the foregoing formula, the following definitions shall apply:

(a) “CP<sub>2</sub>” shall mean the applicable Conversion Price of such series of Preferred Stock in effect immediately after such issue of Additional Shares of Common Stock

(b) “CP<sub>1</sub>” shall mean the applicable Conversion Price of such series of Preferred Stock in effect immediately prior to such issue of Additional Shares of Common Stock;

(c) “A” shall mean the number of shares of Common Stock outstanding immediately prior to such issue of Additional Shares of Common Stock (treating for this purpose as outstanding all shares of Common Stock issuable upon exercise of Options outstanding immediately prior to such issue or upon conversion or exchange of Convertible Securities (including the Preferred Stock) outstanding (assuming exercise of any outstanding Options therefor) immediately prior to such issue);

(d) “B” shall mean the number of shares of Common Stock that would have been issued if such Additional Shares of Common Stock had been issued at a price per share equal to CP<sub>1</sub> (determined by dividing the aggregate consideration received by the Corporation in respect of such issue by CP<sub>1</sub>); and

(e) “C” shall mean the number of such Additional Shares of Common Stock issued in such transaction.

4.4.5 Determination of Consideration. For purposes of this Subsection 4.4, the consideration received by the Corporation for the issue of any Additional Shares of Common Stock shall be computed as follows:

(a) Cash and Property: Such consideration shall:

- (i) insofar as it consists of cash, be computed at the aggregate amount of cash received by the Corporation, excluding amounts paid or payable for accrued interest;
- (ii) insofar as it consists of property other than cash, be computed at the fair market value thereof at the time of such issue, as determined in good faith by the Board of Directors of the Corporation; and
- (iii) in the event Additional Shares of Common Stock are issued together with other shares or securities or other assets of the Corporation for consideration which covers both, be the proportion of such consideration so received, computed as provided in clauses (i) and (ii) above, as determined in good faith by the Board of Directors of the Corporation.

(b) Options and Convertible Securities. The consideration per share received by the Corporation for Additional Shares of Common Stock deemed to have been issued pursuant to Subsection 4.4.3, relating to Options and Convertible Securities, shall be determined by dividing the total amount, if any, received or receivable by the Corporation as consideration for the issue of such Options or Convertible Securities, plus the minimum aggregate amount of additional consideration (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such consideration) payable to the Corporation upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities, by

- (i) the maximum number of shares of Common Stock (as set forth in the instruments relating thereto, without regard to any provision contained therein for a subsequent adjustment of such number) issuable upon the exercise of such Options or the conversion or exchange of such Convertible Securities, or in the case of Options for Convertible Securities, the exercise of such Options for Convertible Securities and the conversion or exchange of such Convertible Securities.

4.4.6 Multiple Closing Dates. In the event the Corporation shall issue on more than one date Additional Shares of Common Stock that are a part of one transaction or a series of related transactions and that would result in an adjustment to the applicable Conversion Price of a series of Preferred Stock pursuant to the terms of Subsection 4.4.4, then, upon the final such issuance, the applicable Conversion Price of such series of Preferred Stock shall be readjusted to give effect to all such issuances as if they occurred on the date of the first such issuance (and without giving effect to any additional adjustments as a result of any such subsequent issuances within such period).

4.5 Adjustment for Stock Splits and Combinations. If the Corporation shall at any time or from time to time after the Series B Original Issue Date effect a subdivision of the outstanding Common Stock, the applicable Conversion Price of a series of Preferred Stock in effect immediately before that subdivision shall be proportionately decreased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be increased in proportion to such increase in the aggregate number of shares of Common Stock outstanding. If the Corporation shall at any time or from time to time after the Series B Original Issue Date combine the outstanding shares of Common Stock, the applicable Conversion Price of a series of Preferred Stock in effect immediately before the combination shall be proportionately increased so that the number of shares of Common Stock issuable on conversion of each share of such series shall be decreased in proportion to such decrease in the aggregate number of shares of Common Stock outstanding. Any adjustment under this subsection shall become effective at the close of business on the date the subdivision or combination becomes effective.

4.6 Adjustment for Certain Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable on the Common Stock in additional shares of Common Stock, then and in each such event the applicable Conversion Price of a series of Preferred Stock in effect immediately before such event shall be decreased as of the time of such issuance or, in the event such a record date shall have been fixed, as of the close of business on such record date, by multiplying the applicable Conversion Price of such series of Preferred Stock then in effect by a fraction:

(1) the numerator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date, and

(2) the denominator of which shall be the total number of shares of Common Stock issued and outstanding immediately prior to the time of such issuance or the close of business on such record date plus the number of shares of Common Stock issuable in payment of such dividend or distribution.

Notwithstanding the foregoing, (a) if such record date shall have been fixed and such dividend is not fully paid or if such distribution is not fully made on the date fixed therefor, the applicable Conversion Price of such series of Preferred Stock shall be recomputed accordingly as of the close of business on such record date and thereafter the applicable Conversion Price of such series of Preferred Stock shall be adjusted pursuant to this subsection as of the time of actual payment of such dividends or distributions; and (b) that no such adjustment shall be made if the holders of such series of Preferred Stock simultaneously receive a dividend or other distribution of shares of Common Stock in a number equal to the number of shares of Common Stock as they would have received if all outstanding shares of such series of Preferred Stock had been converted into Common Stock on the date of such event.

4.7 Adjustments for Other Dividends and Distributions. In the event the Corporation at any time or from time to time after the Series B Original Issue Date shall make or issue, or fix a record date for the determination of holders of Common Stock entitled to receive, a dividend or other distribution payable in securities of the Corporation (other than a distribution of shares of Common Stock in respect of outstanding shares of Common Stock) or in other property and the provisions of Section 1 do not apply to such dividend or distribution, then and in each such event the holders of Preferred Stock shall receive, simultaneously with the distribution to the holders of Common Stock, a dividend or other distribution of such securities or other property in an amount equal to the amount of such securities or other property as they would have received if all outstanding shares of each series of Preferred Stock had been converted into Common Stock on the date of such event.

4.8 Adjustment for Merger or Reorganization, etc. Subject to the provisions of Subsection 2.3, if there shall occur any reorganization, recapitalization, reclassification, consolidation or merger involving the Corporation in which the Common Stock (but not the Preferred Stock) is converted into or exchanged for securities, cash or other property (other than a transaction covered by Subsections 4.4, 4.6 or 4.7), then, following any such

reorganization, recapitalization, reclassification, consolidation or merger, each share of such series of Preferred Stock shall thereafter be convertible in lieu of the Common Stock into which it was convertible prior to such event into the kind and amount of securities, cash or other property which a holder of the number of shares of Common Stock of the Corporation issuable upon conversion of one share of such series of Preferred Stock immediately prior to such reorganization, recapitalization, reclassification, consolidation or merger would have been entitled to receive pursuant to such transaction; and, in such case, appropriate adjustment (as determined in good faith by the Board of Directors of the Corporation) shall be made in the application of the provisions in this Section 4 with respect to the rights and interests thereafter of the holders of such series of Preferred Stock, to the end that the provisions set forth in this Section 4 (including provisions with respect to changes in and other adjustments of the A Conversion Price of such series of Preferred Stock) shall thereafter be applicable, as nearly as reasonably may be, in relation to any securities or other property thereafter deliverable upon the conversion of such series of Preferred Stock. For the avoidance of doubt, nothing in this Subsection 4.8 shall be construed as preventing the holders of Preferred Stock from seeking any appraisal rights to which they are otherwise entitled under the General Corporation Law in connection with a merger triggering an adjustment hereunder, nor shall this Subsection 4.8 be deemed conclusive evidence of the fair value of the shares of Preferred Stock in any such appraisal proceeding.

4.9 Certificate as to Adjustments. Upon the occurrence of each adjustment or readjustment of the applicable Conversion Price of a series of Preferred Stock pursuant to this Section 4, the Corporation at its expense shall, as promptly as reasonably practicable but in any event not later than thirty (30) days thereafter, compute such adjustment or readjustment in accordance with the terms hereof and furnish to each holder of such series of Preferred Stock a certificate setting forth such adjustment or readjustment (including the kind and amount of securities, cash or other property into which the Preferred Stock is convertible) and showing in detail the facts upon which such adjustment or readjustment is based. The Corporation shall, as promptly as reasonably practicable after the written request at any time of any holder of Preferred Stock (but in any event not later than 10 days thereafter), furnish or cause to be furnished to such holder a certificate setting forth (i) the applicable Conversion Price of each series of Preferred Stock then in effect, and (ii) the number of shares of Common Stock and the amount if any, of other securities, cash or property which then would be received upon the conversion of each such series of Preferred Stock.

4.10 Notice of Record Date. In the event:

(a) the Corporation shall take a record of the holders of its Common Stock (or other capital stock or securities at the time issuable upon conversion of the Preferred Stock) for the purpose of entitling or enabling them to receive any dividend or other distribution, or to receive any right to subscribe for or purchase any shares of capital stock of any class or any other securities, or to receive any other security; or

(b) of any capital reorganization of the Corporation, any reclassification of the Common Stock of the Corporation, or any Deemed Liquidation Event; or



(c) of the voluntary or involuntary dissolution, liquidation or winding-up of the Corporation,

then, and in each such case, the Corporation will send or cause to be sent to the holders of the Preferred Stock a notice specifying, as the case may be, (i) the record date for such dividend, distribution or right, and the amount and character of such dividend, distribution or right, or (ii) the effective date on which such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up is proposed to take place, and the time, if any is to be fixed, as of which the holders of record of Common Stock (or such other capital stock or securities at the time issuable upon the conversion of the Preferred Stock) shall be entitled to exchange their shares of Common Stock (or such other capital stock or securities) for securities or other property deliverable upon such reorganization, reclassification, consolidation, merger, transfer, dissolution, liquidation or winding-up, and the amount per share and character of such exchange applicable to the Preferred Stock and the Common Stock. Such notice shall be sent at least 10 days prior to the record date or effective date for the event specified in such notice.

5. Mandatory Conversion.

5.1 Trigger Events. Upon either (a) the closing of the sale of shares of Common Stock to the public at a price per share equal to at least two and a half times (2.5x) the Series B Original Issue Price (subject to appropriate adjustment in the event of any stock dividend, stock split, combination or other similar recapitalization with respect to the Common Stock), in a firm-commitment underwritten public offering pursuant to an effective registration statement under the Securities Act of 1933, as amended, resulting in at least \$50 million of gross proceeds to the Corporation or (b) the date and time, or the occurrence of an event, specified by vote or written consent of the Preferred Majority (the time of such closing or the date and time specified or the time of the event specified in such vote or written consent is referred to herein as the “**Mandatory Conversion Time**”), (i) all outstanding shares of Preferred Stock shall automatically be converted into shares of Common Stock, at the then effective conversion rate and (ii) such shares may not be reissued by the Corporation.

5.2 Procedural Requirements. All holders of record of shares of Preferred Stock shall be sent written notice of the Mandatory Conversion Time and the place designated for mandatory conversion of all such shares of Preferred Stock pursuant to this Section 5. Such notice need not be sent in advance of the occurrence of the Mandatory Conversion Time. Upon receipt of such notice, each holder of shares of Preferred Stock shall surrender his, her or its certificate or certificates for all such shares (or, if such holder alleges that such certificate has been lost, stolen or destroyed, a lost certificate affidavit and agreement reasonably acceptable to the Corporation to indemnify the Corporation against any claim that may be made against the Corporation on account of the alleged loss, theft or destruction of such certificate) to the Corporation at the place designated in such notice. If so required by the Corporation, certificates surrendered for conversion shall be endorsed or accompanied by written instrument or instruments of transfer, in form satisfactory to the Corporation, duly executed by the registered holder or by his, her or its attorney duly authorized in writing. All rights with respect to the Preferred Stock converted pursuant to Subsection 5.1, including the rights, if any, to receive notices and vote (other than as a holder of Common Stock), will terminate at the Mandatory Conversion Time (notwithstanding the failure of the holder or holders thereof to

surrender the certificates at or prior to such time), except only the rights of the holders thereof, upon surrender of their certificate or certificates (or lost certificate affidavit and agreement) therefor, to receive the items provided for in the next sentence of this Subsection 5.2. As soon as practicable after the Mandatory Conversion Time and the surrender of the certificate or certificates (or lost certificate affidavit and agreement) for Preferred Stock, the Corporation shall issue and deliver to such holder, or to his, her or its nominees, a certificate or certificates for the number of full shares of Common Stock issuable on such conversion in accordance with the provisions hereof, together with cash as provided in Subsection 4.2 in lieu of any fraction of a share of Common Stock otherwise issuable upon such conversion and the payment of any declared but unpaid dividends on the shares of Preferred Stock converted. Such converted Preferred Stock shall be retired and cancelled and may not be reissued as shares of such series, and the Corporation may thereafter take such appropriate action (without the need for stockholder action) as may be necessary to reduce the authorized number of shares of Preferred Stock accordingly.

6. Reserved.

7. Acquired Shares. Any shares of Preferred Stock that are acquired by the Corporation or any of its subsidiaries shall be automatically and immediately cancelled and retired and shall not be reissued, sold or transferred. Neither the Corporation nor any of its subsidiaries may exercise any voting or other rights granted to the holders of Preferred Stock following any acquisition thereof.

8. Waiver. Any of the rights, powers, preferences and other terms of the Preferred Stock (including any series thereof) set forth herein may be waived on behalf of all holders of Preferred Stock by the affirmative written consent or vote of the Preferred Majority.

9. Notices. Any notice required or permitted by the provisions of this Article Fourth to be given to a holder of shares of Preferred Stock shall be mailed, postage prepaid, to the post office address last shown on the records of the Corporation, or given by electronic communication in compliance with the provisions of the General Corporation Law, and shall be deemed sent upon such mailing or electronic transmission.

**FIFTH:** Subject to any additional vote required by this Certificate of Incorporation or Bylaws, in furtherance and not in limitation of the powers conferred by statute, the Board of Directors is expressly authorized to make, repeal, alter, amend and rescind any or all of the Bylaws of the Corporation.

**SIXTH:** Subject to any additional vote required by this Certificate of Incorporation, the number of directors of the Corporation shall be determined in the manner set forth in the Bylaws of the Corporation.

**SEVENTH:** Elections of directors need not be by written ballot unless the Bylaws of the Corporation shall so provide.

**EIGHTH:** Meetings of stockholders may be held within or without the State of Delaware, as the Bylaws of the Corporation may provide. The books of the Corporation may be kept outside the State of Delaware at such place or places as may be designated from time to time by the Board of Directors or in the Bylaws of the Corporation.

**NINTH:** To the fullest extent permitted by law, a director of the Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director. If the General Corporation Law or any other law of the State of Delaware is amended after approval by the stockholders of this Article Ninth to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the General Corporation Law as so amended.

Any repeal or modification of the foregoing provisions of this Article Ninth by the stockholders of the Corporation shall not adversely affect any right or protection of a director of the Corporation existing at the time of, or increase the liability of any director of the Corporation with respect to any acts or omissions of such director occurring prior to, such repeal or modification.

**TENTH:** The following indemnification provisions shall apply to the persons enumerated below.

1. Right to Indemnification of Directors and Officers. The Corporation shall indemnify and hold harmless, to the fullest extent permitted by applicable law as it presently exists or may hereafter be amended, any person (an “**Indemnified Person**”) who was or is made or is threatened to be made a party or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a “**Proceeding**”), by reason of the fact that such person, or a person for whom such person is the legal representative, is or was a director or officer of the Corporation or, while a director or officer of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorneys’ fees) reasonably incurred by such Indemnified Person in such Proceeding. Notwithstanding the preceding sentence, except as otherwise provided in Section 3 of this Article Tenth, the Corporation shall be required to indemnify an Indemnified Person in connection with a Proceeding (or part thereof) commenced by such Indemnified Person only if the commencement of such Proceeding (or part thereof) by the Indemnified Person was authorized in advance by the Board of Directors.

2. Prepayment of Expenses of Directors and Officers. The Corporation shall pay the expenses (including attorneys’ fees) incurred by an Indemnified Person in defending any Proceeding in advance of its final disposition, provided, however, that, to the extent required by law, such payment of expenses in advance of the final disposition of the Proceeding shall be made only upon receipt of an undertaking by the Indemnified Person to repay all amounts advanced if it should be ultimately determined that the Indemnified Person is not entitled to be indemnified under this Article Tenth or otherwise.

3. Claims by Directors and Officers. If a claim for indemnification or advancement of expenses under this Article Tenth is not paid in full within thirty (30) days after a written claim therefor by the Indemnified Person has been received by the Corporation, the Indemnified Person may file suit to recover the unpaid amount of such claim and, if successful in whole or in part, shall be entitled to be paid the expense of prosecuting such claim. In any such action the Corporation shall have the burden of proving that the Indemnified Person is not entitled to the requested indemnification or advancement of expenses under applicable law.

4. Indemnification of Employees and Agents. The Corporation may indemnify and advance expenses to any person who was or is made or is threatened to be made or is otherwise involved in any Proceeding by reason of the fact that such person, or a person for whom such person is the legal representative, is or was an employee or agent of the Corporation or, while an employee or agent of the Corporation, is or was serving at the request of the Corporation as a director, officer, employee or agent of another corporation or of a partnership, joint venture, limited liability company, trust, enterprise or nonprofit entity, including service with respect to employee benefit plans, against all liability and loss suffered and expenses (including attorney's fees) reasonably incurred by such person in connection with such Proceeding. The ultimate determination of entitlement to indemnification of persons who are non-director or officer employees or agents shall be made in such manner as is determined by the Board of Directors in its sole discretion. Notwithstanding the foregoing sentence, the Corporation shall not be required to indemnify a person in connection with a Proceeding initiated by such person if the Proceeding was not authorized in advance by the Board of Directors.

5. Advancement of Expenses of Employees and Agents. The Corporation may pay the expenses (including attorney's fees) incurred by an employee or agent in defending any Proceeding in advance of its final disposition on such terms and conditions as may be determined by the Board of Directors.

6. Non-Exclusivity of Rights. The rights conferred on any person by this Article Tenth shall not be exclusive of any other rights which such person may have or hereafter acquire under any statute, provision of this Certificate of incorporation, the by-laws, agreement, vote of stockholders or disinterested directors or otherwise.

7. Other Indemnification. The Corporation's obligation, if any, to indemnify any person who was or is serving at its request as a director, officer or employee of another Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise shall be reduced by any amount such person may collect as indemnification from such other Corporation, partnership, limited liability company, joint venture, trust, organization or other enterprise.

8. Insurance. The Board of Directors may, to the full extent permitted by applicable law as it presently exists, or may hereafter be amended from time to time, authorize an appropriate officer or officers to purchase and maintain at the Corporation's expense insurance: (a) to indemnify the Corporation for any obligation which it incurs as a result of the indemnification of directors, officers and employees under the provisions of this Article Tenth; and (b) to indemnify or insure directors, officers and employees against liability in instances in which they may not otherwise be indemnified by the Corporation under the provisions of this Article Tenth.

9. **Amendment or Repeal.** Any repeal or modification of the foregoing provisions of this Article Tenth shall not adversely affect any right or protection hereunder of any person in respect of any act or omission occurring prior to the time of such repeal or modification. The rights provided hereunder shall inure to the benefit of any Indemnified Person and such person's heirs, executors and administrators.

**ELEVENTH:** The Corporation renounces, to the fullest extent permitted by law, any interest or expectancy of the Corporation in, or in being offered an opportunity to participate in, any Excluded Opportunity. An "**Excluded Opportunity**" is any matter, transaction or interest that is presented to, or acquired, created or developed by, or which otherwise comes into the possession of, (i) any director of the Corporation who is not an employee of the Corporation or any of its subsidiaries, or (ii) any holder of Preferred Stock or any partner, member, director, stockholder, employee or agent of any such holder, other than someone who is an employee of the Corporation or any of its subsidiaries (collectively, "**Covered Persons**"), unless such matter, transaction or interest is presented to, or acquired, created or developed by, or otherwise comes into the possession of, a Covered Person expressly and solely in such Covered Person's capacity as a director of the Corporation.

**TWELFTH:** Unless the Corporation consents in writing to the selection of an alternative forum, the Court of Chancery in the State of Delaware shall be the sole and exclusive forum for any stockholder (including a beneficial owner) to bring any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim against the Corporation, its directors, officers or employees arising pursuant to any provision of the General Corporation Law or the Corporation's certificate of incorporation or bylaws or (iv) any action asserting a claim against the Corporation, its directors, officers or employees governed by the internal affairs doctrine, except for, as to each of (i) through (iv) above, any claim as to which the Court of Chancery determines that there is an indispensable party not subject to the jurisdiction of the Court of Chancery (and the indispensable party does not consent to the personal jurisdiction of the Court of Chancery within ten days following such determination), which is vested in the exclusive jurisdiction of a court or forum other than the Court of Chancery, or for which the Court of Chancery does not have subject matter jurisdiction. If any provision or provisions of this Article Twelfth shall be held to be invalid, illegal or unenforceable as applied to any person or entity or circumstance for any reason whatsoever, then, to the fullest extent permitted by law, the validity, legality and enforceability of such provisions in any other circumstance and of the remaining provisions of this Article Twelfth (including, without limitation, each portion of any sentence of this Article Twelfth containing any such provision held to be invalid, illegal or

unenforceable that is not itself held to be invalid, illegal or unenforceable) and the application of such provision to other persons or entities and circumstances shall not in any way be affected or impaired thereby.

\* \* \*

IN WITNESS WHEREOF, I have hereunto set my as 21st day of December 2016.

By: /s/ Pieter Muntendam  
Pieter Muntendam  
*President*

**[SIGNATURE PAGE TO AMENDED AND RESTATED CHARTER]**

**BY-LAWS**  
**OF**  
**SCPHARMACEUTICALS INC.**  
**(the “Corporation”)**

Section 1 CERTIFICATE OF INCORPORATION AND BY-LAWS

1.1 These by-laws are subject to the certificate of incorporation of the corporation. In these by-laws, references to the certificate of incorporation and by-laws mean the provisions of the certificate of incorporation and the by-laws as are from time to time in effect.

Section 2 OFFICES

2.1 Registered Office. The registered office shall be in the City of Wilmington, County of New Castle, State of Delaware.

2.2 Other Offices. The corporation may also have offices at such other places both within and without the State of Delaware as the board of directors may from time to time determine or the business of the corporation may require.

Section 3 STOCKHOLDERS

3.1 Location of Meetings. All meetings of the stockholders shall be held at such place either within or without the State of Delaware as shall be designated from time to time by the board of directors, or if not so designated, at the registered office of the corporation. Notwithstanding the foregoing, the board of directors may, in its sole discretion, determine that the meeting shall not be held at any place, but may instead be held solely by means of remote communication as authorized by Section 211(a)(2) of the Delaware General Corporation Law. If so authorized, and subject to such guidelines and procedures as the board of directors may adopt, stockholders and proxyholders not physically present at a meeting of stockholders may, by means of remote communication, participate in a meeting of stockholders whether such meeting is to be held at a designated place or solely by means of remote communication, provided that (i) the corporation shall implement reasonable measures to verify that each person deemed present and permitted to vote at the meeting by means of remote communication is a stockholder or proxyholder, (ii) the corporation shall implement reasonable measures to provide such stockholders and proxyholders a reasonable opportunity to participate in the meeting and to vote on matters submitted to the stockholders, including an opportunity to read or hear the proceedings of the meeting substantially concurrently with such proceedings, and (iii) if any stockholder or proxyholder votes or takes other action at the meeting by means of remote communication, a record of such vote or other action shall be maintained by the corporation. Any adjourned session of any meeting shall be held at the place designated in the vote of adjournment.

3.2 Annual Meeting. The annual meeting of stockholders shall be held at 10:00 a.m. on the second Wednesday in May in each year, unless that day be a legal holiday at the place where the meeting is to be held, in which case the meeting shall be held at the same hour on the next succeeding day not a legal holiday, or at such other date and time as shall be designated from time to time by the board of directors, at which they shall elect a board of directors and transact such other business as may be required by law or these by-laws or as may properly come before the meeting.



3.3 Special Meeting in Place of Annual Meeting. If the election for directors shall not be held on the day designated by these by-laws, the directors shall cause the election to be held as soon thereafter as convenient, and to that end, if the annual meeting is omitted on the day herein provided therefor or if the election of directors shall not be held thereat, a special meeting of the stockholders may be held in place of such omitted meeting or election, and any business transacted or election held at such special meeting shall have the same effect as if transacted or held at the annual meeting, and in such case all references in these by-laws to the annual meeting of the stockholders, or to the annual election of directors, shall be deemed to refer to or include such special meeting. Any such special meeting shall be called and the purposes thereof shall be specified in the call, as provided in Section 3.5.

3.4 Notice of Annual Meeting. Written notice of the annual meeting stating the place, date and hour of the meeting shall be given to each stockholder entitled to vote at such meeting not less than ten nor more than sixty days before the date of the meeting. Such notice may specify the business to be transacted and actions to be taken at such meeting. No action shall be taken at such meeting unless such notice is given or unless waiver of such notice is given in accordance with Section 5.2 by each stockholder entitled to such notice to whom such notice was not given.

3.5 Other Special Meetings. Special meetings of the stockholders, for any purpose or purposes, unless otherwise prescribed by law or by the certificate of incorporation, may be called by the president and shall be called by the president or secretary at the request in writing of a majority of the board of directors, or at the request in writing of the holders of at least ten percent of all capital stock of the corporation issued and outstanding and entitled to vote at such meeting. Such request shall state the purpose or purposes of the proposed meeting and business to be transacted at any special meeting of the stockholders.

3.6 Notice of Special Meeting. Written notice of a special meeting stating the place, date and hour of the meeting and the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting, to each stockholder entitled to vote at such meeting. No action shall be taken at such meeting unless such notice is given or unless waiver of such notice is given in accordance with Section 5.2 by each stockholder entitled to such notice to whom such notice was not given.

3.7 Stockholder List. The officer who has charge of the stock ledger of the corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in the name of each stockholder. Such list shall be open to the examination of any stockholder, for any purpose germane to the meeting for a period of at least ten days prior to the meeting, either (i) on a reasonably accessible electronic network, provided that the information required to gain access to such list is provided with the notice of the meeting, or (ii) during ordinary business hours, at the principal place of business of the corporation. In the event that the corporation determines to make the list available on an electronic network, the corporation may take reasonable steps to ensure that such information is available only to stockholders of the corporation. If the meeting is to be held at a place, then the list shall be produced and kept at the time and place of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. If the meeting is to be held solely by means of remote communication, then the list shall also be open to examination of any stockholder during the entire meeting on a reasonably accessible electronic network, and the information required to access such list shall be provided with the notice of the meeting.

3.8 Quorum of Stockholders. The holders of a majority of the stock issued and outstanding and entitled to vote thereat, present in person or represented by proxy, shall constitute a quorum at all meetings of the stockholders for the transaction of business except as otherwise required by law, by the certificate of incorporation or by these by-laws. Except as otherwise provided by law, no stockholder present at a meeting may withhold his shares from the quorum count by declaring his shares absent from the meeting.

3.9 Adjournment. Any meeting of stockholders may be adjourned from time to time to any other time and to any other place at which a meeting of stockholders may be held under these by-laws, which time and place shall be announced at the meeting, by a majority of votes cast upon the question, whether or not a quorum is present, or, if no stockholder is present or represented by proxy, by any officer entitled to preside at or to act as secretary of such meeting. At such adjourned meeting at which a quorum shall be present or represented any business may be transacted which might have been transacted at the original meeting. If the adjournment is for more than thirty days, or if after the adjournment a new record date is fixed for the adjourned meeting, a notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

3.10 Proxy Representation. Every stockholder may authorize another person or persons to act for him by proxy in all matters in which a stockholder is entitled to participate, whether by waiving notice of any meeting, objecting to or voting or participating at a meeting, or expressing consent or dissent without a meeting. Every proxy must be signed by the stockholder or by his attorney-in-fact. No proxy shall be voted or acted upon after three years from its date unless such proxy provides for a longer period. Except as provided by law, a revocable proxy shall be deemed revoked if the stockholder is present at the meeting for which the proxy was given. A duly executed proxy shall be irrevocable if it states that it is irrevocable and, if, and only as long as, it is coupled with an interest sufficient in law to support an irrevocable power. A proxy may be made irrevocable regardless of whether the interest with which it is coupled is an interest in the stock itself or an interest in the corporation generally. The authorization of a proxy may, but need not be limited to specified action, provided, however, that if a proxy limits its authorization to a meeting or meetings of stockholders, unless otherwise specifically provided such proxy shall entitle the holder thereof to vote at any adjourned session but shall not be valid after the final adjournment thereof.

3.11 Inspectors. The directors or the person presiding at the meeting may, but need not unless required by law, appoint one or more inspectors of election and any substitute inspectors to act at the meeting or any adjournment thereof. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath faithfully to execute the duties of inspector at such meeting with strict impartiality and according to the best of his ability. The inspectors, if any, shall determine the number of shares of stock outstanding and the voting power of each, the shares of stock represented at the meeting, the existence of a quorum and the validity and effect of proxies, and shall receive votes, ballots or consents, hear and determine all challenges and questions arising in connection with the right to vote, count and tabulate all votes, ballots or consents, determine the result, and do such acts as are proper to conduct the election or vote with fairness to all stockholders. On request of the person presiding at the meeting, the inspectors shall make a report in writing of any challenge, question or matter determined by them and execute a certificate of any fact found by them.

3.12 Action by Vote. When a quorum is present at any meeting, whether the same be an original or an adjourned session, a plurality of the votes properly cast for election to any office shall elect to such office and a majority of the votes properly cast upon any question other than an election to an office shall decide the question, except when a larger vote is required by law, by the certificate of incorporation or by these by-laws. No ballot shall be required for any election unless requested by a stockholder present or represented at the meeting and entitled to vote in the election.

3.13 Action Without Meetings. Unless otherwise provided in the certificate of incorporation, any action required to be taken at any annual or special meeting of stockholders of the corporation, or any action which may be taken at any annual or special meeting of such stockholders, may be taken without a meeting, without prior notice and without a vote, if a consent in writing, setting forth the action so taken shall be signed by the holders of outstanding stock having not less than the minimum number of votes that would be necessary to authorize or take such action at a meeting at which all shares entitled to vote thereon were present and voted. Prompt notice of the taking of the corporate action without a meeting by less than unanimous written consent shall be given to those stockholders who have not consented in writing. Consent may be given by electronic transmission to the extent permitted by the Delaware General Corporation Law.

3.14 Organization. Meetings of stockholders shall be presided over by the chairperson of the board of directors, if any, or in his absence by the president, or in his absence by a vice president, or in the absence of the foregoing persons by a chairperson chosen at the meeting by the board. The secretary shall act as secretary of the meeting, but in his absence the chairperson of the meeting may appoint any person to act as secretary of the meeting. The chairperson of the meeting shall announce at the meeting of stockholders the date and time of the opening and the closing of the polls for each matter upon which the stockholders will vote.

3.15 Conduct of Meetings. The board of directors of the corporation may adopt by resolution such rules and regulations for the conduct of the meeting of stockholders as it shall deem appropriate. Except to the extent inconsistent with such rules and regulations as adopted by the board of directors, the chairperson of any meeting of stockholders shall have the right and authority to prescribe such rules, regulations and procedures and to do all such acts as, in the judgment of such chairperson, are appropriate for the proper conduct of the meeting. Such rules, regulations or procedures, whether adopted by the board of directors or prescribed by the chairperson of the meeting, may include, without limitation, the following: (i) the establishment of an agenda or order of business for the meeting; (ii) rules and procedures for maintaining order at the meeting and the safety of those present; (iii) limitations on attendance at or participation in the meeting to stockholders of record of the corporation, their duly authorized and constituted proxies or such other persons as the chairperson of the meeting shall determine; (iv) restrictions on entry to the meeting after the time fixed for the commencement thereof; and (v) limitations on the time allotted to questions or comments by participants. Unless and to the extent determined by the board of directors or the chairperson of the meeting, meetings of stockholders shall not be required to be held in accordance with the rules of parliamentary procedure.

#### Section 4 DIRECTORS

4.1 Number. The number of directors which shall constitute the whole board shall not be less than one. The first board shall consist of one director. Thereafter, the stockholders at the annual meeting shall determine the number of directors, and the number of directors may be increased or decreased at any time or from time to time by the stockholders or by the directors by vote of a majority of directors then in office, except that any such decrease by vote of the directors shall only be made to eliminate vacancies existing by reason of the death, resignation or removal of one or more directors. The directors shall be elected at the annual meeting of the stockholders, except as provided in these by-laws. Directors need not be stockholders.

4.2 Tenure. Except as otherwise provided by law, by the certificate of incorporation or by these by-laws, each director shall hold office until the next annual meeting and until his successor is elected and qualified, or until he sooner dies, resigns, is removed or becomes disqualified.

4.3 Powers. The business of the corporation shall be managed by or under the direction of the board of directors which shall have and may exercise all the powers of the corporation and do all such lawful acts and things as are not by law, the certificate of incorporation or these by-laws directed or required to be exercised or done by the stockholders.

4.4 Vacancies. Vacancies and any newly created directorships resulting from any increase in the number of directors may be filled by vote of the stockholders at a meeting called for the purpose, or by a majority of the directors then in office, although less than a quorum, or by a sole remaining director. When one or more directors shall resign from the board, effective at a future date, a majority of the directors then in office, including those who have resigned, shall have power to fill such vacancy or vacancies, the vote or action in writing thereon to take effect when such resignation or resignations shall become effective. The directors shall have and may exercise all their powers notwithstanding the existence of one or more vacancies in their number, subject to any requirements of law or of the certificate of incorporation or of these by-laws as to the number of directors required for a quorum or for any vote or other actions.

4.5 Committees. The board of directors may, by vote of a majority of the whole board, (a) designate, change the membership of or terminate the existence of any committee or committees, each committee to consist of one or more of the directors; (b) designate one or more directors as alternate members of any such committee who may replace any absent or disqualified member at any meeting of the committee; and (c) determine the extent to which each such committee shall have and may exercise the powers and authority of the board of directors in the management of the business and affairs of the corporation, including the power to authorize the seal of the corporation to be affixed to all papers which require it and the power and authority to declare dividends or to authorize the issuance of stock; excepting, however, such powers which by law, by the certificate of incorporation or by these by-laws they are prohibited from so delegating. In the absence or disqualification of any member of such committee and his alternate, if any, the member or members thereof present at any meeting and not disqualified from voting, whether or not constituting a quorum, may unanimously appoint another member of the board of directors to act at the meeting in the place of any such absent or disqualified member. Except as the board of directors may otherwise determine, any committee may make, alter and repeal rules for the conduct of its business, but unless otherwise provided by the board or such rules, its business shall be conducted as nearly as may be in the same manner as is provided by these by-laws for the conduct of business by the board of directors. Each committee shall keep regular minutes of its meetings and report the same to the board of directors upon request.

4.6 Regular Meeting. Regular meetings of the board of directors may be held without call or notice at such place within or without the State of Delaware and at such times as the board may from time to time determine, provided that notice of the first regular meeting following any such determination shall be given to absent directors. A regular meeting of the directors may be held without call or notice immediately after and at the same place as the annual meeting of the stockholders.

4.7 Special Meetings. Special meetings of the board of directors may be held at any time and at any place within or without the State of Delaware designated in the notice of the meeting, when called by the president, or by any director, reasonable notice thereof being given to each director by the secretary or by the president or by any one of the directors calling the meeting.

4.8 Notice. It shall be reasonable and sufficient notice to a director to send notice by mail at least forty-eight hours or by telegram or telecopy or other form of electronic transmission at least twenty-four hours before the meeting, addressed to him at his usual or last known business or residence address or to give notice to him in person or by telephone at least twenty-four hours before the meeting. Notice of a meeting need not be given to any director if a written waiver of notice, executed by him before or after the meeting, is filed with the records of the meeting, or to any director who attends the meeting without protesting prior thereto or at its commencement the lack of notice to him. Neither notice of a meeting nor a waiver of a notice need specify the purposes of the meeting.

4.9 Quorum. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, at any meeting of the directors a majority of the directors then in office shall constitute a quorum. A quorum shall not in any case be less than a majority of the total number of directors constituting the whole board. Any meeting may be adjourned from time to time by a majority of the votes cast upon the question, whether or not a quorum is present, and the meeting may be held as adjourned without further notice.

4.10 Action by Vote. Except as may be otherwise provided by law, by the certificate of incorporation or by these by-laws, when a quorum is present at any meeting the vote of a majority of the directors present shall be the act of the board of directors.

4.11 Action Without a Meeting. Unless otherwise restricted by the certificate of incorporation or these by-laws, any action required or permitted to be taken at any meeting of the board of directors or of any committee thereof may be taken without a meeting if all the members of the board or of such committee, as the case may be, consent thereto in writing, or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of proceedings of the board, or committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form. Such consent shall be treated for all purposes as the act of the board or of such committee, as the case may be.

4.12 Participation in Meetings by Conference Telephone. Unless otherwise restricted by the certificate of incorporation or these by-laws, members of the board of directors or of any committee thereof may participate in a meeting of such board or committee by means of conference telephone or similar communications equipment by means of which all persons participating in the meeting can hear each other. Such participation shall constitute presence in person at such meeting.

4.13 Compensation. Unless otherwise restricted by the certificate of incorporation or these by-laws, the board of directors shall have the authority to fix from time to time the compensation of directors. The directors may be paid their expenses, if any, of attendance at each meeting of the board of directors and the performance of their responsibilities as directors and may be paid a fixed sum for attendance at each meeting of the board of directors and/or a stated salary as director. No such payment shall preclude any director from serving the corporation or its parent or subsidiary corporations in any other capacity and receiving compensation therefor. The board of directors may also allow compensation for members of special or standing committees for service on such committees.

4.14 Interested Directors and Officers.

(a) No contract or transaction between the corporation and one or more of its directors or officers, or between the corporation and any other corporation, partnership, association, or other organization in which one or more of the corporation's directors or officers are directors or officers, or have a financial interest, shall be void or voidable solely for this reason, or solely because the director or officer is present at or participates in the meeting of the board or committee thereof which authorizes the contract or transaction, or solely because his or their votes are counted for such purpose, if:

(1) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the board of directors or the committee, and the board or committee in good faith authorizes the contract or transaction by the affirmative votes of a majority of the disinterested directors, even though the disinterested directors be less than a quorum; or

(2) The material facts as to his relationship or interest and as to the contract or transaction are disclosed or are known to the stockholders entitled to vote thereon, and the contract or transaction is specifically approved in good faith by vote of the stockholders; or

(3) The contract or transaction is fair as to the corporation as of the time it is authorized, approved or ratified by the board of directors, a committee thereof, or the stockholders.

(b) Common or interested directors may be counted in determining the presence of a quorum at a meeting of the board of directors or of a committee which authorizes the contract or transaction.

4.15 Resignation or Removal of Directors. Unless otherwise restricted by the certificate of incorporation or by law, any director or the entire board of directors may be removed, with or without cause, by the holders of a majority of the stock issued and outstanding and entitled to vote at an election of directors. Any director may resign at any time by delivering his resignation in writing to the president or the secretary or to a meeting of the board of directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time and without in either case the necessity of its being accepted unless the resignation shall so state. No director resigning and no director removed shall have any right to receive compensation as such director for any period following his resignation or removal, except where a right to receive compensation shall be expressly provided in a duly authorized written agreement with the corporation, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise; unless in the case of a resignation, the directors, or in the case of removal, the body acting on the removal, shall in their or its discretion provide for compensation.

#### Section 5 NOTICES

5.1 Form of Notice. Whenever, under the provisions of law, of the certificate of incorporation or of these by-laws, notice is required to be given to any director or stockholder, such notice may be given by mail, addressed to such director or stockholder, at his address as it appears on the records of the corporation, with postage thereon prepaid, and such notice shall be deemed to be given at the time when the same shall be deposited in the United States mail. Unless written notice by mail is required by law, written notice may also be given by telegram, cable, telecopy, commercial delivery service, telex or similar means, addressed to such director or stockholder at his address as it appears on the records of the corporation, in which case such notice shall be deemed to be given when delivered into the control of the persons charged with effecting such transmission, the transmission charge to be paid by the corporation or the person sending such notice and not by the addressee. Notice may also be given to any stockholder and to any director by any form of electronic transmission, to the same extent that Section 232 of the Delaware General Corporation Law permits notice in such form to be given to stockholders, and will be deemed given at the time provided therein. Oral notice or other in-hand delivery (in person or by telephone) shall be deemed given at the time it is actually given.

5.2 Waiver of Notice. Whenever notice is required to be given under the provisions of law, the certificate of incorporation or these by-laws, a written waiver thereof, signed by the person entitled to notice, or a waiver by electronic transmission by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting shall constitute a waiver of notice of such meeting, except when the person attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the stockholders, directors or members of a committee of the directors need be specified in any written waiver of notice.

## Section 6 OFFICERS AND AGENTS

6.1 Enumeration; Qualification. The officers of the corporation shall be a president, a treasurer, a secretary and such other officers, if any, as the board of directors from time to time may in its discretion elect or appoint including without limitation a chairperson of the board of directors and one or more vice presidents. Any officer may be, but none need be, a director or stockholder. Any two or more offices may be held by the same person. Any officer may be required by the board of directors to secure the faithful performance of his duties to the corporation by giving bond in such amount and with sureties or otherwise as the board of directors may determine.

6.2 Powers. Subject to law, to the certificate of incorporation and to the other provisions of these by-laws, each officer shall have, in addition to the duties and powers herein set forth, such duties and powers as are commonly incident to his office and such additional duties and powers as the board of directors may from time to time designate.

6.3 Election. The board of directors at its first meeting after each annual meeting of stockholders shall choose a president, a secretary and a treasurer. Other officers may be appointed by the board of directors at such meeting, at any other meeting or by written consent. At any time or from time to time, the directors may delegate to any officer their power to elect or appoint any other officer or any agents.

6.4 Tenure. Each officer shall hold office until the first meeting of the board of directors following the next annual meeting of the stockholders and until his successor is elected and qualified unless a shorter period shall have been specified in terms of his election or appointment, or in each case until he sooner dies, resigns, is removed or becomes disqualified. Each agent of the corporation shall retain his authority at the pleasure of the directors, or the officer by whom he was appointed or by the officer who then holds agent appointive power.

6.5 Chairperson of the Board of Directors. The chairperson of the board of directors, if any, shall have such duties and powers as shall be designated from time to time by the board of directors. Unless the board of directors otherwise specifies, the chairperson of the board, or if there is none the president, shall preside, or designate the person who shall preside, at all meetings of the stockholders and of the board of directors. References in these by-laws to a chairperson shall include references to persons designated by the board of directors with the title chairman, chairwoman or chair or any similar title.

6.6 President and Vice Presidents. Unless a chief executive officer has been elected by the board of directors, the president shall be the chief executive officer and shall have direct and active charge of all business operations of the corporation and shall have general supervision of the entire business of the corporation, subject to the control of the board of directors. As provided in Section 6.5, in the absence of the chairperson of the board of directors, the president shall preside at all meetings of the stockholders and of the board of directors at which the president is present, except as otherwise voted by the board of directors.

The president or treasurer shall execute bonds, mortgages and other contracts requiring a seal, under the seal of the corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the board of directors to some other officer or agent of the corporation.

Any vice presidents shall have such duties and powers as shall be designated from time to time by the board of directors or by the president.

6.7 Treasurer and Assistant Treasurers. The treasurer shall be the chief financial officer of the corporation and shall be in charge of its funds and valuable papers, and shall have such other duties and powers as may be assigned to him from time to time by the board of directors or by the president.

Any assistant treasurers shall have such duties and powers as shall be designated from time to time by the board of directors, the president or the treasurer.

6.8 Secretary and Assistant Secretaries. The secretary shall record all proceedings of the stockholders, of the board of directors and of committees of the board of directors in a book or series of books to be kept therefor and shall file therein all writings of, or related to, action by stockholder or director consent. In the absence of the secretary from any meeting, an assistant secretary, or if there is none or he is absent, a temporary secretary chosen at the meeting, shall record the proceedings thereof. Unless a transfer agent has been appointed, the secretary shall keep or cause to be kept the stock and transfer records of the corporation, which shall contain the names and record addresses of all stockholders and the number of shares registered in the name of each stockholder. The secretary shall have such other duties and powers as may from time to time be designated by the board of directors or the president.

Any assistant secretaries shall have such duties and powers as shall be designated from time to time by the board of directors, the president or the secretary.

6.9 Resignation and Removal. Any officer may resign at any time by delivering his resignation in writing to the president or the secretary or to a meeting of the board of directors. Such resignation shall be effective upon receipt unless specified to be effective at some other time, and without in any case the necessity of its being accepted unless the resignation shall so state. The board of directors may at any time remove any officer either with or without cause. The board of directors may at any time terminate or modify the authority of any agent. No officer resigning and no officer removed shall have any right to any compensation as such officer for any period following his resignation or removal, except where a right to receive compensation shall be expressly provided in a duly authorized written agreement with the corporation, or any right to damages on account of such removal, whether his compensation be by the month or by the year or otherwise; unless in the case of a resignation, the directors, or in the case of removal, the body acting on the removal, shall in their or its discretion provide for compensation.

6.10 Vacancies. If the office of the president or the treasurer or the secretary becomes vacant, the directors may elect a successor by vote of a majority of the directors then in office. If the office of any other officer becomes vacant, any person or body empowered to elect or appoint that office may choose a successor. Each such successor shall hold office for the unexpired term of his predecessor, and in the case of the president, the treasurer and the secretary until his successor is chosen and qualified, or in each case until he sooner dies, resigns, is removed or becomes disqualified.

## Section 7 CAPITAL STOCK

7.1 Stock Certificates. Each stockholder shall be entitled to a certificate stating the number and the class and the designation of the series, if any, of the shares held by him, in such form as shall, in conformity to law, the certificate of incorporation and the by-laws, be prescribed from time to time by the board of directors. Such certificate shall be signed by (i) the chairperson of the board of directors or the president or a vice-president and (ii) the treasurer or an assistant treasurer or the secretary or an assistant secretary. Any or all of the signatures on the certificate may be a facsimile. In case an officer, transfer agent or registrar who has signed or whose facsimile signature has been placed on such certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the time of its issue.



7.2 Lost Certificates. The board of directors may direct a new certificate or certificates to be issued in place of any certificate or certificates theretofore issued by the corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his legal representative, to advertise the same in such manner as it shall require and/or to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost, stolen or destroyed.

## Section 8 TRANSFER OF SHARES OF STOCK

### 8.1 Right of First Refusal.

(a) *General*. Prior to the effective date of a registration statement under the Securities Act of 1933, as amended (the "Act"), covering any shares of the Company's common stock, par value \$0.0001 per share (the "Common Stock") and until such time as the Company shall have effected a public offering of its Common Stock registered under the Act, in the event that, at any time when a holder of shares of Common Stock (a "Common Stockholder") is permitted to do so, such Common Stockholder desires to sell, assign or otherwise transfer any shares of Common Stock held by the Common Stockholder (the "Common Shares"), such Common Stockholder shall first offer such shares to the Company by giving written notice of the Common Stockholder's desire so to sell, assign or transfer such Common Shares.

(b) *Notice of Intended Transfer*. The notice shall state the number of Common Shares offered, the name of the person or persons to whom it is proposed to sell, assign or transfer such shares and the price at which such shares are intended to be sold, assigned or transferred. Such notice shall constitute an offer to the Company for the Company to purchase the number of Common Shares set forth in the notice at a price per share equal to the price stated therein.

(c) *Company to Accept or Decline Within 30 Days*. The Company may accept the offer as to all, but not less than all, the Common Shares by notifying the Common Stockholder in writing within 30 days after receipt of such notice of its acceptance of the offer. If the offer is accepted, the Company shall have 60 days after such acceptance within which to purchase the offered shares at a price per share as aforesaid. If within the applicable time periods the Common Stockholder does not receive notice of the Company's intention to purchase the offered shares, or if payment in full of the purchase price is not made by the Company, the offer shall be deemed to have been rejected and the Common Stockholder may transfer title to such Common Shares within 90 days from the date of the Common Stockholder's written notice to the Company of the Common Stockholder's intention to sell, but such transfer shall be made only to the proposed transferee and at the proposed price as stated in such notice.

(d) *Remedies of Company*. No sale, assignment, pledge or other transfer of any of the Common Shares shall be effective or given effect on the books of the Company unless all of the applicable provisions of this Section 8.1 have been duly complied with, and the Company may inscribe on the face of any certificate representing any of such shares a legend referring to the provisions of this Section 8.1. If any transfer of Common Shares is made or attempted in violation of the foregoing restrictions, or if Common Shares are not offered to the Company as required hereby, the Company shall have the right to purchase such Common Shares from the owner thereof or his transferee at any time before or after the transfer, as herein provided. In addition to any other legal or equitable remedies which it may have, the Company may enforce its rights by actions for specific performance (to the extent permitted by law) and may refuse to recognize any transferee as one of its stockholders for any purpose, including, without limitation, for purposes of dividend and voting rights, until all applicable provisions hereof have been complied with.

(e) *Legends on Stock Certificates.* Any certificate representing shares of Common Stock may have endorsed thereon one or more legends, substantially as follows:

“Any disposition of any interest in the securities represented by this certificate is subject to restrictions, and the securities represented by this certificate are subject to certain options, contained in a certain agreement between the record holder hereof and the Company, a copy of which will be mailed to any holder of this certificate without charge upon receipt by the Company of a written request therefor.”

“The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any state and may not be pledged, hypothecated, sold or otherwise transferred unless such shares have been registered under the Act or unless the Company has received an opinion of counsel satisfactory to the Company, in form and substance satisfactory to the Company, that such registration is not required.”

(f) *Right of First Refusal to Lapse Upon Registration.* The restrictions imposed by this Section 8.1 shall terminate in all respects upon the effective date of a registration statement under the Act covering any of the Company’s Common Stock.

8.2 Transfer on Books. Subject to any restrictions with respect to the transfer of shares of stock, shares of stock may be transferred on the books of the corporation by the surrender to the corporation or its transfer agent of the certificate therefor properly endorsed or accompanied by a written assignment and power of attorney properly executed, with necessary transfer stamps affixed, and with such proof of the authenticity of signature as the board of directors or the transfer agent of the corporation may reasonably require. Except as may be otherwise required by law, by the certificate of incorporation or by these by-laws, the corporation shall be entitled to treat the record holder of stock as shown on its books as the owner of such stock for all purposes, including the payment of dividends and the right to receive notice and to vote or to give any consent with respect thereto and to be held liable for such calls and assessments, if any, as may lawfully be made thereon, regardless of any transfer, pledge or other disposition of such stock until the shares have been properly transferred on the books of the corporation.

It shall be the duty of each stockholder to notify the corporation of his post office address.

#### Section 9 GENERAL PROVISIONS

9.1 Record Date. In order that the corporation may determine the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the board of directors may fix, in advance, a record date, which shall not be more than sixty days nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action to which such record date relates. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the board of directors may fix a new record date for the adjourned meeting. If no record date is fixed,

(a) The record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held;

(b) The record date for determining stockholders entitled to express consent to corporate action in writing without a meeting, when no prior action by the board of directors is necessary, shall be the day on which the first written consent is expressed; and

(c) The record date for determining stockholders for any other purpose shall be at the close of business on the day on which the board of directors adopts the resolution relating to such purpose.

9.2 Dividends. Dividends upon the capital stock of the corporation may be declared by the board of directors at any regular or special meeting or by written consent, pursuant to law. Dividends may be paid in cash, in property, or in shares of the capital stock, subject to the provisions of the certificate of incorporation.

9.3 Payment of Dividends. Before payment of any dividend, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purpose as the directors shall think conducive to the interest of the corporation, and the directors may modify or abolish any such reserve in the manner in which it was created.

9.4 Checks. All checks or demands for money and notes of the corporation shall be signed by such officer or officers or such other person or persons as the board of directors may from time to time designate.

9.5 Fiscal Year. The fiscal year of the corporation shall begin on the first of January in each year and shall end on the last day of December next following, unless otherwise determined by the board of directors.

9.6 Seal. The board of directors may, by resolution, adopt a corporate seal. The corporate seal shall have inscribed thereon the name of the corporation, the year of its organization and the word "Delaware." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. The seal may be altered from time to time by the board of directors.

## Section 10 INDEMNIFICATION

10.1 It being the intent of the corporation to provide maximum protection available under the law to its officers and directors, the corporation shall indemnify its officers and directors to the full extent the corporation is permitted or required to do so by the Delaware General Corporation Law. In furtherance of and not in limitation of the foregoing, the corporation shall advance expenses, including attorneys' fees, incurred by an officer or director of the corporation in defending any civil, criminal, administrative or investigative action, suit or proceeding in advance of the final disposition of such action, suit or proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such advances if it shall ultimately be determined that he is not entitled to be indemnified by the corporation. The corporation shall have the power to purchase and maintain insurance on behalf of any person who is or was a director, officer, employee or agent of the corporation, or who 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 such person's status as such, whether or not the corporation has the power to indemnify such person under the Delaware General Corporation Law. Notwithstanding the foregoing, the Corporation shall not be required to indemnify or advance expenses to any person in connection with any action, suit, proceeding, claim or counterclaim initiated by or on behalf of such person.

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## Section 11 AMENDMENTS

11.1 These by-laws may be altered, amended or repealed or new by-laws may be adopted by the stockholders or by the board of directors when such power is conferred upon the board of directors by the certificate of incorporation, at any regular meeting of the stockholders or of the board of directors or at any special meeting of the stockholders or of the board of directors. If the power to adopt, amend or repeal by-laws is conferred upon the board of directors by the certificate of incorporation, it shall not divest or limit the power of the stockholders to adopt, amend or repeal by-laws.

**Adopted March 24, 2014**

**scPharmaceuticals Inc.**

**AMENDED AND RESTATED**

**INVESTORS' RIGHTS AGREEMENT**

**December 22, 2016**

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Schedule A - Schedule of Investors

## AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT

THIS AMENDED AND RESTATED INVESTORS' RIGHTS AGREEMENT (this "**Agreement**"), is made as of the 22st day of December 2016, by and among scPharmaceuticals Inc., a Delaware corporation (the "**Company**"), and each of the investors listed on Schedule A hereto, each of which is referred to in this Agreement as an "**Investor**".

### RECITALS

**WHEREAS**, the Company and the Investors are parties to an Investors' Rights Agreement, dated as of March 24, 2014 (the "**Prior Agreement**");

**WHEREAS**, the Company and the Investors are parties to the Series B Preferred Stock Purchase Agreement of even date herewith (as the same may be amended from time to time, the "**Purchase Agreement**");

**WHEREAS**, in order to induce the Company to enter into the Purchase Agreement and to induce the Investors to invest funds in the Company pursuant to the Purchase Agreement, the undersigned, constituting the required votes pursuant to Section 6.6 of the Prior Agreement, desire to amend and restate the Prior Agreement, and hereby agree that this Agreement shall govern the rights of the Investors to cause the Company to register shares of Common Stock issuable to the Investors, to receive certain information from the Company, and to participate in future equity offerings by the Company, and shall govern certain other matters as set forth in this Agreement; and

**WHEREAS**, the Company and the undersigned representing the holders of at least sixty-six and two-thirds percent (66 2/3%) of the Registrable Securities (as defined in the Prior Agreement) desire to amend and restate the Prior Agreement in its entirety as set forth herein.

**NOW, THEREFORE**, the parties hereby agree to amend and restate the Prior Agreement in its entirety as follows:

1. Definitions. For purposes of this Agreement:

1.1 "**Affiliate**" means, with respect to any specified Person, any other Person who, directly or indirectly, controls, is controlled by, or is under common control with such Person, including without limitation any general partner, managing member, officer or director of such Person or any venture capital fund now or hereafter existing that is controlled by one or more general partners or managing members of, or shares the same management company with, such Person.

1.2 "**Board of Directors**" means the board of directors of the Company.

1.3 "**Common Stock**" means shares of the Company's common stock, par value \$0.0001 per share.



1.4 “**Damages**” means any loss, damage, claim or liability (joint or several) to which a party hereto may become subject under the Securities Act, the Exchange Act, or other federal or state law, insofar as such loss, damage, claim or liability (or any action in respect thereof) arises out of or is based upon: (i) any untrue statement or alleged untrue statement of a material fact contained in any registration statement of the Company, including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto; (ii) an omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading; or (iii) any violation or alleged violation by the indemnifying party (or any of its agents or Affiliates) of the Securities Act, the Exchange Act, any state securities law, or any rule or regulation promulgated under the Securities Act, the Exchange Act, or any state securities law.

1.5 “**Deemed Liquidation Event**” shall have the meaning set forth in the Restated Certificate.

1.6 “**Derivative Securities**” means any securities or rights convertible into, or exercisable or exchangeable for (in each case, directly or indirectly), Common Stock, including options and warrants.

1.7 “**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

1.8 “**Excluded Registration**” means (i) a registration relating to the sale of securities to employees of the Company or a subsidiary pursuant to a stock option, stock purchase, or similar plan; (ii) a registration relating to an SEC Rule 145 transaction; (iii) a registration on any form that does not include substantially the same information as would be required to be included in a registration statement covering the sale of the Registrable Securities; or (iv) a registration in which the only Common Stock being registered is Common Stock issuable upon conversion of debt securities that are also being registered.

1.9 “**Form S-1**” means such form under the Securities Act as in effect on the date hereof or any successor registration form under the Securities Act subsequently adopted by the SEC.

1.10 “**Form S-3**” means such form under the Securities Act as in effect on the date hereof or any registration form under the Securities Act subsequently adopted by the SEC that permits incorporation of substantial information by reference to other documents filed by the Company with the SEC.

1.11 “**GAAP**” means generally accepted accounting principles in the United States.

1.12 “**Holder**” means any holder of Registrable Securities who is a party to this Agreement.

1.13 “**Immediate Family Member**” means a child, stepchild, grandchild, parent, stepparent, grandparent, spouse, sibling, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including, adoptive relationships, of a natural person referred to herein.

1.14 **“Initiating Holders”** means, collectively, Holders who properly initiate a registration request under this Agreement.

1.15 **“IPO”** means the Company’s first underwritten public offering of its Common Stock under the Securities Act.

1.16 **“Key Employee”** means any executive-level employee (including, division director and vice president-level positions) as well as any employee who, either alone or in concert with others, develops, invents, programs, or designs any Company Intellectual Property (as defined in the Purchase Agreement).

1.17 **“Major Investor”** means any Investor that, individually or together with such Investor’s Affiliates, holds at least 2,000,000 shares of Registrable Securities (as adjusted for any stock split, stock dividend, combination, or other recapitalization or reclassification effected after the date hereof).

1.18 **“New Securities”** means, collectively, equity securities of the Company (other than shares of Series B Preferred Stock to be sold pursuant to the Purchase Agreement), whether or not currently authorized, as well as rights, options, or warrants to purchase such equity securities, or securities of any type whatsoever that are, or may become, convertible or exchangeable into or exercisable for such equity securities.

1.19 **“Person”** means any individual, corporation, partnership, trust, limited liability company, association or other entity.

1.20 **“Preferred Director”** means any director of the Company that was designated pursuant to Section 1.2(a) or (b) of the Voting Agreement, or any successor provisions thereto.

1.21 **“Preferred Stock”** means collectively, the Series A Preferred Stock and the Series B Preferred Stock.

1.22 **“Purchase Agreement”** means the Series B Preferred Stock Purchase Agreement of even date herewith between the Company and certain of the Investors.

1.23 **“Registrable Securities”** means (i) the Common Stock issuable or issued upon conversion of the Preferred Stock; and (ii) any Common Stock issued as (or issuable upon the conversion or exercise of any warrant, right, or other security that is issued as) a dividend or other distribution with respect to, or in exchange for or in replacement of, the shares referenced in clause (i) above; excluding in all cases, however, any Registrable Securities sold by a Person in a transaction in which the applicable rights under this Agreement are not assigned pursuant to Section 6.1, and excluding for purposes of Section 2 any shares for which registration rights have terminated pursuant to Section 2.13 of this Agreement.

1.24 **“Registrable Securities then outstanding”** means the number of shares determined by adding the number of shares of outstanding Common Stock that are Registrable Securities and the number of shares of Common Stock issuable (directly or indirectly) pursuant to then exercisable and/or convertible securities that are Registrable Securities.

1.25 “**Restated Certificate**” means the Company’s Amended and Restated Certificate of Incorporation, as amended from time to time.

1.26 “**Restricted Securities**” means the securities of the Company required to be notated with the legend set forth in Section 2.12(b) hereof.

1.27 “**Right of First Refusal and Co-Sale Agreement**” means the Amended and Restated Right of First Refusal and Co-Sale Agreement dated as of even date herewith by and among the Company, the Investors and the Key Holders, as may be amended and/or restated from time to time.

1.28 “**SEC**” means the Securities and Exchange Commission.

1.29 “**SEC Rule 144**” means Rule 144 promulgated by the SEC under the Securities Act.

1.30 “**SEC Rule 145**” means Rule 145 promulgated by the SEC under the Securities Act.

1.31 “**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

1.32 “**Selling Expenses**” means all underwriting discounts, selling commissions, and stock transfer taxes applicable to the sale of Registrable Securities, and fees and disbursements of counsel for any Holder, except for the fees and disbursements of the Selling Holder Counsel borne and paid by the Company as provided in Section 2.6.

1.33 “**Series A Preferred Stock**” means shares of the Company’s Series A Preferred Stock, par value \$0.0001 per share.

1.34 “**Series B Preferred Stock**” means shares of the Company’s Series B Preferred Stock, par value \$0.0001 per share.

1.35 “**Voting Agreement**” means the Amended and Restated Voting Agreement by and among of even date herewith by and among the Company, the Investors and the Key Holders, as may be amended and/or restated from time to time.

2. Registration Rights. The Company covenants and agrees as follows:

2.1 Demand Registration.

(a) Form S-1 Demand. If at any time after the earlier of (i) four (4) years after the date of this Agreement or (ii) one hundred eighty (180) days after the effective date of the registration statement for the IPO, the Company receives a request from Holders of thirty percent (30%) of the Registrable Securities then outstanding that the Company file a Form S-1 registration statement with respect to, in the case of the first registered offering of the Company’s securities, at least twenty percent (20%) of the Registrable Securities then outstanding having an anticipated aggregate offering price, net of Selling Expenses, which would

exceed \$20 million or, in the case of any subsequent registered offering of the Company's securities, with respect to shares of Common Stock having an expected aggregate offering price, net of Selling Expenses, which would exceed \$5 million, then the Company shall (x) within ten (10) days after the date such request is given, give notice thereof (the "**Demand Notice**") to all Holders other than the Initiating Holders; and (y) as soon as practicable, and in any event within sixty (60) days after the date such request is given by the Initiating Holders, file a Form S-1 registration statement under the Securities Act covering all Registrable Securities that the Initiating Holders requested to be registered and any additional Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Sections 2.1(c) and 2.3.

(b) Form S-3 Demand. If at any time when it is eligible to use a Form S-3 registration statement, and the Company receives a request from Holders of the Registrable Securities then outstanding that the Company file a Form S-3 registration statement with respect to outstanding Registrable Securities of such Holders having an anticipated aggregate offering price, net of Selling Expenses, of at least \$2.0 million, then the Company shall (i) within ten (10) days after the date such request is given, give a Demand Notice to all Holders other than the Initiating Holders; and (ii) as soon as practicable, and in any event within forty-five (45) days after the date such request is given by the Initiating Holders, file a Form S-3 registration statement under the Securities Act covering all Registrable Securities requested to be included in such registration by any other Holders, as specified by notice given by each such Holder to the Company within twenty (20) days of the date the Demand Notice is given, and in each case, subject to the limitations of Sections 2.1(c) and 2.3.

(c) Notwithstanding the foregoing obligations, if the Company furnishes to Holders requesting a registration pursuant to this Section 2.1 a certificate signed by the Company's chief executive officer stating that in the good faith judgment of the Company's Board of Directors it would be materially detrimental to the Company and its stockholders for such registration statement to either become effective or remain effective for as long as such registration statement otherwise would be required to remain effective, because such action would (i) materially interfere with a significant acquisition, corporate reorganization, or other similar transaction involving the Company; (ii) require premature disclosure of material information that the Company has a bona fide business purpose for preserving as confidential; or (iii) render the Company unable to comply with requirements under the Securities Act or Exchange Act, then the Company shall have the right to defer taking action with respect to such filing, and any time periods with respect to filing or effectiveness thereof shall be tolled correspondingly, for a period of not more than one hundred (100) days after the request of the Initiating Holders is given; *provided, however*, that the Company may not invoke this right more than once in any twelve (12) month period; and *provided further* that the Company shall not register any securities for its own account or that of any other stockholder during such hundred (100) day period other than an Excluded Registration.

(d) The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(a) (i) during the period that is sixty (60) days before the Company's good faith estimate of the date of filing of, and ending on a date that is one hundred eighty (180) days after the effective date of, a Company-initiated registration; *provided*

that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; (ii) after the Company has effected two registrations pursuant to Section 2.1(a); or (iii) if the Initiating Holders propose to dispose of shares of Registrable Securities that may be immediately registered on Form S-3 pursuant to a request made pursuant to Section 2.1(b). The Company shall not be obligated to effect, or to take any action to effect, any registration pursuant to Section 2.1(b) (i) during the period that is thirty (30) days before the Company's good faith estimate of the date of filing of, and ending on a date that is ninety (90) days after the effective date of, a Company-initiated registration; *provided* that the Company is actively employing in good faith commercially reasonable efforts to cause such registration statement to become effective; or (ii) if the Company has effected two registrations pursuant to Section 2.1(b) within the twelve (12) month period immediately preceding the date of such request. A registration shall not be counted as "effected" for purposes of this Section 2.1(d) until such time as the applicable registration statement has been declared effective by the SEC, unless the Initiating Holders withdraw their request for such registration, elect not to pay the registration expenses therefor, and forfeit their right to one demand registration statement pursuant to Section 2.6, in which case such withdrawn registration statement shall be counted as "effected" for purposes of this Section 2.1(d).

2.2 Company Registration. If the Company proposes to register (including, for this purpose, a registration effected by the Company for stockholders other than the Holders) any of its Common Stock under the Securities Act in connection with the public offering of such securities solely for cash (other than in an Excluded Registration), the Company shall, at such time, promptly give each Holder notice of such registration. Upon the request of each Holder given within twenty (20) days after such notice is given by the Company, the Company shall, subject to the provisions of Section 2.3, cause to be registered all of the Registrable Securities that each such Holder has requested to be included in such registration. The Company shall have the right to terminate or withdraw any registration initiated by it under this Section 2.2 before the effective date of such registration, whether or not any Holder has elected to include Registrable Securities in such registration. The expenses (other than Selling Expenses) of such withdrawn registration shall be borne by the Company in accordance with Section 2.6.

### 2.3 Underwriting Requirements.

(a) If, pursuant to Section 2.1, the Initiating Holders intend to distribute the Registrable Securities covered by their request by means of an underwriting, they shall so advise the Company as a part of their request made pursuant to Section 2.1, and the Company shall include such information in the Demand Notice. The underwriter(s) will be selected by the Company and shall be reasonably acceptable to a majority in interest of the Initiating Holders. In such event, the right of any Holder to include such Holder's Registrable Securities in such registration shall be conditioned upon such Holder's participation in such underwriting and the inclusion of such Holder's Registrable Securities in the underwriting to the extent provided herein. All Holders proposing to distribute their securities through such underwriting shall (together with the Company as provided in Section 2.4(e)) enter into an underwriting agreement in customary form with the underwriter(s) selected for such underwriting. Notwithstanding any other provision of this Section 2.3, if the underwriter(s) advise(s) the Initiating Holders in writing that marketing factors require a limitation on the number of shares to be underwritten, then the Initiating Holders shall so advise all Holders of

Registrable Securities that otherwise would be underwritten pursuant hereto, and the number of Registrable Securities that may be included in the underwriting shall be allocated among such Holders of Registrable Securities, including the Initiating Holders, in proportion (as nearly as practicable) to the number of Registrable Securities owned by each Holder or in such other proportion as shall mutually be agreed to by all such selling Holders; *provided, however*, that the number of Registrable Securities held by the Holders to be included in such underwriting shall not be reduced unless all other securities are first entirely excluded from the underwriting. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest one hundred (100) shares.

(b) In connection with any offering involving an underwriting of shares of the Company's capital stock pursuant to Section 2.2, the Company shall not be required to include any of the Holders' Registrable Securities in such underwriting unless the Holders accept the terms of the underwriting as agreed upon between the Company and its underwriters, and then only in such quantity as the underwriters in their sole discretion determine will not jeopardize the success of the offering by the Company. If the total number of securities, including Registrable Securities, requested by stockholders to be included in such offering exceeds the number of securities to be sold (other than by the Company) that the underwriters in their reasonable discretion determine is compatible with the success of the offering, then the Company shall be required to include in the offering only that number of such securities, including Registrable Securities, which the underwriters and the Company in their sole discretion determine will not jeopardize the success of the offering. If the underwriters determine that less than all of the Registrable Securities requested to be registered can be included in such offering, then the Registrable Securities that are included in such offering shall be allocated among the selling Holders in proportion (as nearly as practicable to) the number of Registrable Securities owned by each selling Holder or in such other proportions as shall mutually be agreed to by all such selling Holders. To facilitate the allocation of shares in accordance with the above provisions, the Company or the underwriters may round the number of shares allocated to any Holder to the nearest one hundred (100) shares. Notwithstanding the foregoing, in no event shall (i) the number of Registrable Securities included in the offering be reduced unless all other securities (other than securities to be sold by the Company) are first entirely excluded from the offering, or (ii) the number of Registrable Securities included in the offering be reduced below twenty-five percent (25%) of the total number of securities included in such offering, unless such offering is the IPO, in which case the selling Holders may be excluded further if the underwriters make the determination described above and no other stockholder's securities are included in such offering. For purposes of the provision in this Section 2.3(b) concerning apportionment, for any selling Holder that is a partnership, limited liability company, or corporation, the partners, retired partners, retired members, stockholders, and Affiliates of such Holder, or the estates and Immediate Family Members of any such partners, retired partners, members, and retired members and any trusts for the benefit of any of the foregoing Persons, shall be deemed to be a single "selling Holder," and any pro rata reduction with respect to such "selling Holder" shall be based upon the aggregate number of Registrable Securities owned by all Persons included in such "selling Holder," as defined in this sentence.

(c) For purposes of Section 2.1, a registration shall not be counted as "effected" if, as a result of an exercise of the underwriter's cutback provisions in Section 2.3(a), fewer than fifty percent (50%) of the total number of Registrable Securities that Holders have requested to be included in such registration statement are actually included.

2.4 **Obligations of the Company.** Whenever required under this Section 2 to effect the registration of any Registrable Securities, the Company shall, as expeditiously as reasonably possible:

(a) prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its commercially reasonable efforts to cause such registration statement to become effective and, upon the request of the Holders of a majority of the Registrable Securities registered thereunder, keep such registration statement effective for a period of up to one hundred twenty (120) days or, if earlier, until the distribution contemplated in the registration statement has been completed; *provided, however*, that (i) such one hundred twenty (120) day period shall be extended for a period of time equal to the period the Holder refrains, at the request of an underwriter of Common Stock (or other securities) of the Company, from selling any securities included in such registration, and (ii) in the case of any registration of Registrable Securities on Form S-3 that are intended to be offered on a continuous or delayed basis, subject to compliance with applicable SEC rules, such one hundred twenty (120) day period shall be extended for up to sixty (60) days, if necessary, to keep the registration statement effective until all such Registrable Securities are sold;

(b) prepare and file with the SEC such amendments and supplements to such registration statement, and the prospectus used in connection with such registration statement, as may be necessary to comply with the Securities Act in order to enable the disposition of all securities covered by such registration statement;

(c) furnish to the selling Holders such numbers of copies of a prospectus, including a preliminary prospectus, as required by the Securities Act, and such other documents as the Holders may reasonably request in order to facilitate their disposition of their Registrable Securities;

(d) use its commercially reasonable efforts to register and qualify the securities covered by such registration statement under such other securities or blue-sky laws of such jurisdictions as shall be reasonably requested by the selling Holders; *provided* that the Company shall not be required to qualify to do business or to file a general consent to service of process in any such states or jurisdictions, unless the Company is already subject to service in such jurisdiction and except as may be required by the Securities Act;

(e) in the event of any underwritten public offering, enter into and perform its obligations under an underwriting agreement, in usual and customary form, with the underwriter(s) of such offering;

(f) use its commercially reasonable efforts to cause all such Registrable Securities covered by such registration statement to be listed on a national securities exchange or trading system and each securities exchange and trading system (if any) on which similar securities issued by the Company are then listed;

(g) provide a transfer agent and registrar for all Registrable Securities registered pursuant to this Agreement and provide a CUSIP number for all such Registrable Securities, in each case not later than the effective date of such registration;

(h) promptly make available for inspection by the selling Holders, any underwriter(s) participating in any disposition pursuant to such registration statement, and any attorney or accountant or other agent retained by any such underwriter or selected by the selling Holders, all financial and other records, pertinent corporate documents, and properties of the Company, and cause the Company's officers, directors, employees, and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant, or agent, in each case, as necessary or advisable to verify the accuracy of the information in such registration statement and to conduct appropriate due diligence in connection therewith;

(i) notify each selling Holder, promptly after the Company receives notice thereof, of the time when such registration statement has been declared effective or a supplement to any prospectus forming a part of such registration statement has been filed; and

(j) after such registration statement becomes effective, notify each selling Holder of any request by the SEC that the Company amend or supplement such registration statement or prospectus.

In addition, the Company shall ensure that, at all times after any registration statement covering a public offering of securities of the Company under the Securities Act shall have become effective, its insider trading policy shall provide that the Company's directors may implement a trading program under Rule 10b5-1 of the Exchange Act.

2.5 **Furnish Information.** It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Section 2 with respect to the Registrable Securities of any selling Holder that such Holder shall furnish to the Company such information regarding itself, the Registrable Securities held by it, and the intended method of disposition of such securities as is reasonably required to effect the registration of such Holder's Registrable Securities.

2.6 **Expenses of Registration.** All expenses (other than Selling Expenses) incurred in connection with registrations, filings, or qualifications pursuant to Section 2, including all registration, filing, and qualification fees; printers' and accounting fees; fees and disbursements of counsel for the Company; and the reasonable fees and disbursements, not to exceed \$35,000 per registration, of one counsel for the selling Holders selected by the Holders of at least a majority of the Registrable Securities included in such registration ("**Selling Holder Counsel**"), shall be borne and paid by the Company; *provided, however,* that the Company shall not be required to pay for any expenses of any registration proceeding begun pursuant to Section 2.1 if the registration request is subsequently withdrawn at the request of the Holders of a majority of the Registrable Securities to be registered (in which case all selling Holders shall bear such expenses pro rata based upon the number of Registrable Securities that were to be included in the withdrawn registration), unless the Holders of a majority of the Registrable Securities agree to forfeit their right to one registration pursuant to Sections 2.1(a) or 2.1(b), as



the case may be; *provided further* that if, at the time of such withdrawal, the Holders shall have learned of a material adverse change in the condition, business, or prospects of the Company from that known to the Holders at the time of their request and have withdrawn the request with reasonable promptness after learning of such information then the Holders shall not be required to pay any of such expenses and shall not forfeit their right to one registration pursuant to Sections 2.1(a) or 2.1(b). All Selling Expenses relating to Registrable Securities registered pursuant to this Section 2 shall be borne and paid by the Holders pro rata on the basis of the number of Registrable Securities registered on their behalf.

2.7 Delay of Registration. No Holder shall have any right to obtain or seek an injunction restraining or otherwise delaying any registration pursuant to this Agreement as the result of any controversy that might arise with respect to the interpretation or implementation of this Section 2.

2.8 Indemnification. If any Registrable Securities are included in a registration statement under this Section 2:

(a) To the extent permitted by law, the Company will indemnify and hold harmless each selling Holder, and the partners, members, officers, directors, and stockholders of each such Holder; legal counsel and accountants for each such Holder; any underwriter (as defined in the Securities Act) for each such Holder; and each Person, if any, who controls such Holder or underwriter within the meaning of the Securities Act or the Exchange Act, against any Damages, and the Company will pay to each such Holder, underwriter, controlling Person, or other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Company, which consent shall not be unreasonably withheld, nor shall the Company be liable for any Damages to the extent that they arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of any such Holder, underwriter, controlling Person, or other aforementioned Person expressly for use in connection with such registration.

(b) To the extent permitted by law, each selling Holder, severally and not jointly, will indemnify and hold harmless the Company, and each of its directors, each of its officers who has signed the registration statement, each Person (if any), who controls the Company within the meaning of the Securities Act, legal counsel and accountants for the Company, any underwriter (as defined in the Securities Act), any other Holder selling securities in such registration statement, and any controlling Person of any such underwriter or other Holder, against any Damages, in each case only to the extent that such Damages arise out of or are based upon actions or omissions made in reliance upon and in conformity with written information furnished by or on behalf of such selling Holder expressly for use in connection with such registration; and each such selling Holder will pay to the Company and each other aforementioned Person any legal or other expenses reasonably incurred thereby in connection with investigating or defending any claim or proceeding from which Damages may result, as such expenses are incurred; *provided, however*, that the indemnity agreement contained in this

Section 2.8(b) shall not apply to amounts paid in settlement of any such claim or proceeding if such settlement is effected without the consent of the Holder, which consent shall not be unreasonably withheld; and *provided further* that in no event shall the aggregate amounts payable by any Holder by way of indemnity or contribution under Sections 2.8(b) and 2.8(d) exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of fraud or willful misconduct by such Holder.

(c) Promptly after receipt by an indemnified party under this Section 2.8 of notice of the commencement of any action (including any governmental action) for which a party may be entitled to indemnification hereunder, such indemnified party will, if a claim in respect thereof is to be made against any indemnifying party under this Section 2.8, give the indemnifying party notice of the commencement thereof. The indemnifying party shall have the right to participate in such action and, to the extent the indemnifying party so desires, participate jointly with any other indemnifying party to which notice has been given, and to assume the defense thereof with counsel mutually satisfactory to the parties; *provided, however*, that an indemnified party (together with all other indemnified parties that may be represented without conflict by one counsel) shall have the right to retain one separate counsel, with the fees and expenses to be paid by the indemnifying party, if representation of such indemnified party by the counsel retained by the indemnifying party would be inappropriate due to actual or potential differing interests between such indemnified party and any other party represented by such counsel in such action. The failure to give notice to the indemnifying party within a reasonable time of the commencement of any such action shall relieve such indemnifying party of any liability to the indemnified party under this Section 2.8, to the extent that such failure materially prejudices the indemnifying party's ability to defend such action. The failure to give notice to the indemnifying party will not relieve it of any liability that it may have to any indemnified party otherwise than under this Section 2.8.

(d) To provide for just and equitable contribution to joint liability under the Securities Act in any case in which either: (i) any party otherwise entitled to indemnification hereunder makes a claim for indemnification pursuant to this Section 2.8 but it is judicially determined (by the entry of a final judgment or decree by a court of competent jurisdiction and the expiration of time to appeal or the denial of the last right of appeal) that such indemnification may not be enforced in such case, notwithstanding the fact that this Section 2.8 provides for indemnification in such case, or (ii) contribution under the Securities Act may be required on the part of any party hereto for which indemnification is provided under this Section 2.8, then, and in each such case, such parties will contribute to the aggregate losses, claims, damages, liabilities, or expenses to which they may be subject (after contribution from others) in such proportion as is appropriate to reflect the relative fault of each of the indemnifying party and the indemnified party in connection with the statements, omissions, or other actions that resulted in such loss, claim, damage, liability, or expense, as well as to reflect any other relevant equitable considerations. The relative fault of the indemnifying party and of the indemnified party shall be determined by reference to, among other things, whether the untrue or allegedly untrue statement of a material fact, or the omission or alleged omission of a material fact, relates to information supplied by the indemnifying party or by the indemnified party and the parties' relative intent, knowledge, access to information, and opportunity to correct or prevent such statement or omission; *provided, however*, that, in any such case (x) no Holder will be required to contribute any amount in excess of the public offering price of all such

Registrable Securities offered and sold by such Holder pursuant to such registration statement, and (y) no Person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) will be entitled to contribution from any Person who was not guilty of such fraudulent misrepresentation; and *provided further* that in no event shall a Holder's liability pursuant to this Section 2.8(d), when combined with the amounts paid or payable by such Holder pursuant to Section 2.8(d), exceed the proceeds from the offering received by such Holder (net of any Selling Expenses paid by such Holder), except in the case of willful misconduct or fraud by such Holder.

(e) Notwithstanding the foregoing, to the extent that the provisions on indemnification and contribution contained in the underwriting agreement entered into in connection with the underwritten public offering are in conflict with the foregoing provisions, the provisions in the underwriting agreement shall control.

(f) Unless otherwise superseded by an underwriting agreement entered into in connection with the underwritten public offering, the obligations of the Company and Holders under this Section 2.8 shall survive the completion of any offering of Registrable Securities in a registration under this Section 2, and otherwise shall survive the termination of this Agreement.

2.9 Reports Under Exchange Act. With a view to making available to the Holders the benefits of SEC Rule 144 and any other rule or regulation of the SEC that may at any time permit a Holder to sell securities of the Company to the public without registration or pursuant to a registration on Form S-3, the Company shall:

(a) make and keep available adequate current public information, as those terms are understood and defined in SEC Rule 144, at all times after the effective date of the registration statement filed by the Company for the IPO;

(b) use commercially reasonable efforts to file with the SEC in a timely manner all reports and other documents required of the Company under the Securities Act and the Exchange Act (at any time after the Company has become subject to such reporting requirements); and

(c) furnish to any Holder, so long as the Holder owns any Registrable Securities, forthwith upon request (i) to the extent accurate, a written statement by the Company that it has complied with the reporting requirements of SEC Rule 144 (at any time after ninety (90) days after the effective date of the registration statement filed by the Company for the IPO), the Securities Act, and the Exchange Act (at any time after the Company has become subject to such reporting requirements), or that it qualifies as a registrant whose securities may be resold pursuant to Form S-3 (at any time after the Company so qualifies); and (ii) such other information as may be reasonably requested in availing any Holder of any rule or regulation of the SEC that permits the selling of any such securities without registration (at any time after the Company has become subject to the reporting requirements under the Exchange Act) or pursuant to Form S-3 (at any time after the Company so qualifies to use such form).

2.10 Limitations on Subsequent Registration Rights. From and after the date of this Agreement, the Company shall not, without the prior written consent of the Holders of at least sixty percent (60%) of the Registrable Securities then outstanding, enter into any agreement with any holder or prospective holder of any securities of the Company that (i) would allow such holder or prospective holder to include such securities in any registration unless, under the terms of such agreement, such holder or prospective holder may include such securities in any such registration only to the extent that the inclusion of such securities will not reduce the number of the Registrable Securities of the Holders that are included; or (ii) allow such holder or prospective holder to initiate a demand for registration of any securities held by such holder or prospective holder; *provided* that this limitation shall not apply to any additional Investor who becomes a party to this Agreement in accordance with Section 6.9.

2.11 “Market Stand-off Agreement. Each Holder hereby agrees that it will not, without the prior written consent of the managing underwriter, during the period commencing on the date of the final prospectus relating to the registration by the Company for its own behalf of shares of its Common Stock or any other equity securities under the Securities Act on a registration statement on Form S-1 or Form S-3, and ending on the date specified by the Company and the managing underwriter (such period not to exceed one hundred eighty (180) days in the case of the IPO), (i) lend; offer; pledge; sell; contract to sell; sell any option or contract to purchase; purchase any option or contract to sell; grant any option, right, or warrant to purchase; or otherwise transfer or dispose of, directly or indirectly, any shares of Common Stock or any securities convertible into or exercisable or exchangeable (directly or indirectly) for Common Stock (whether such shares or any such securities are then owned by the Holder or are thereafter 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 such securities, whether any such transaction described in clause (i) or (ii) above is to be settled by delivery of Common Stock or other securities, in cash, or otherwise. The foregoing provisions of this Section 2.11 shall apply only to the IPO, shall not apply to the sale of any shares to an underwriter pursuant to an underwriting agreement, or the transfer of any shares to any trust for the direct or indirect benefit of the Holder or the immediate family of the Holder; *provided* that the trustee of the trust agrees to be bound in writing by the restrictions set forth herein; and *provided further* that any such transfer shall not involve a disposition for value, and shall be applicable to the Holders only if all officers and directors are subject to the same restrictions and the Company uses commercially reasonable efforts to obtain a similar agreement from all stockholders individually owning more than one percent (1%) of the Company’s outstanding Common Stock (after giving effect to conversion into Common Stock of all outstanding Preferred Stock). The underwriters in connection with such registration are intended third-party beneficiaries of this Section 2.11 and shall have the right, power and authority to enforce the provisions hereof as though they were a party hereto. Each Holder further agrees to execute such agreements as may be reasonably requested by the underwriters in connection with such registration that are consistent with this Section 2.11 or that are necessary to give further effect thereto. Any discretionary waiver or termination of the restrictions of any or all of such agreements by the Company or the underwriters shall apply pro rata to all Holders subject to such agreements, based on the number of shares subject to such agreements.

## 2.12 Restrictions on Transfer.

(a) The Preferred Stock and the Registrable Securities shall not be sold, pledged, or otherwise transferred, and the Company shall not recognize and shall issue stop-transfer instructions to its transfer agent with respect to any such sale, pledge, or transfer, except upon the conditions specified in this Agreement, which conditions are intended to ensure compliance with the provisions of the Securities Act. A transferring Holder will cause any proposed purchaser, pledgee, or transferee of the Preferred Stock and the Registrable Securities held by such Holder to agree to take and hold such securities subject to the provisions and upon the conditions specified in this Agreement.

(b) Each certificate, instrument, or book entry representing (i) the Preferred Stock, (ii) the Registrable Securities, and (iii) any other securities issued in respect of the securities referenced in clauses (i) and (ii), upon any stock split, stock dividend, recapitalization, merger, consolidation, or similar event, shall (unless otherwise permitted by the provisions of Section 2.12(c)) be notated with a legend substantially in the following form:

THE SECURITIES REPRESENTED HEREBY HAVE BEEN ACQUIRED FOR INVESTMENT AND HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933. SUCH SHARES MAY NOT BE SOLD, PLEDGED, OR TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR A VALID EXEMPTION FROM THE REGISTRATION AND PROSPECTUS DELIVERY REQUIREMENTS OF SAID ACT.

THE SECURITIES REPRESENTED HEREBY MAY BE TRANSFERRED ONLY IN ACCORDANCE WITH THE TERMS OF AN AGREEMENT BETWEEN THE COMPANY AND THE STOCKHOLDER, A COPY OF WHICH IS ON FILE WITH THE SECRETARY OF THE COMPANY.

The Holders consent to the Company making a notation in its records and giving instructions to any transfer agent of the Restricted Securities in order to implement the restrictions on transfer set forth in this Section 2.12.

(c) The holder of such Restricted Securities, by acceptance of ownership thereof, agrees to comply in all respects with the provisions of this Section 2. Before any proposed sale, pledge, or transfer of any Restricted Securities, unless there is in effect a registration statement under the Securities Act covering the proposed transaction, the Holder thereof shall give notice to the Company of such Holder's intention to effect such sale, pledge, or transfer. Each such notice shall describe the manner and circumstances of the proposed sale, pledge, or transfer in sufficient detail and, if reasonably requested by the Company, shall be accompanied at such Holder's expense by either (i) a written opinion of legal counsel who shall, and whose legal opinion shall, be reasonably satisfactory to the Company, addressed to the Company, to the effect that the proposed transaction may be effected without registration under the Securities Act; (ii) a "no action" letter from the SEC to the effect that the proposed sale, pledge, or transfer of such Restricted Securities without registration will not result in a recommendation by the staff of the SEC that action be taken with respect thereto; or (iii) any other evidence reasonably satisfactory to counsel to the Company to the effect that the proposed

sale, pledge, or transfer of the Restricted Securities may be effected without registration under the Securities Act, whereupon the Holder of such Restricted Securities shall be entitled to sell, pledge, or transfer such Restricted Securities in accordance with the terms of the notice given by the Holder to the Company. The Company will not require such a legal opinion or “no action” letter (x) in any transaction in compliance with SEC Rule 144; or (y) in any transaction in which such Holder distributes Restricted Securities to an Affiliate of such Holder for no consideration; *provided* that each transferee agrees in writing to be subject to the terms of this Section 2.12. Each certificate, instrument, or book entry representing the Restricted Securities transferred as above provided shall be notated with, except if such transfer is made pursuant to SEC Rule 144, the appropriate restrictive legend set forth in Section 2.12(b), except that such certificate instrument, or book entry shall not be notated with such restrictive legend if, in the opinion of counsel for such Holder and the Company, such legend is not required in order to establish compliance with any provisions of the Securities Act.

2.13 Termination of Registration Rights. The right of any Holder to request registration or inclusion of Registrable Securities in any registration pursuant to Sections 2.1 or 2.2 shall terminate upon the earliest to occur of:

- (a) the closing of a Deemed Liquidation Event;
- (b) such time as Rule 144 or another similar exemption under the Securities Act is available for the sale of all of such Holder’s shares without limitation during a three-month period without registration; and
- (c) the third anniversary of the IPO.

### 3. Information and Observer Rights.

3.1 Delivery of Financial Statements. For so long as at least fifteen percent (15%) of the Company’s originally issued Preferred Stock is outstanding, the Company shall deliver to each Major Investor; *provided* that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company:

(a) as soon as practicable, but in any event within one hundred twenty (120) days after the end of each fiscal year of the Company (i) a balance sheet as of the end of such year, (ii) statements of income and of cash flows for such year, and (iii) a statement of stockholders’ equity as of the end of such year, all such financial statements audited and certified by independent public accountants of nationally recognized standing selected by the Board of Directors of the Company (or the Audit Committee thereof);

(b) as soon as practicable, but in any event within thirty (30) days after the end of each fiscal quarter of the Company, a statement showing the number of shares of each class and series of capital stock and securities convertible into or exercisable for shares of capital stock outstanding at the end of the period, the Common Stock issuable upon conversion or exercise of any outstanding securities convertible or exercisable for Common Stock and the exchange ratio or exercise price applicable thereto, and the number of shares of issued stock options and stock options not yet issued but reserved for issuance, if any, all in sufficient detail as to permit the Major Investors to calculate their respective percentage equity ownership in the Company;

(c) as soon as practicable, but in any event within forty-five (45) days after the end of each of the first three (3) quarters of each fiscal year of the Company, unaudited statements of income and cash flows for such fiscal quarter, and an unaudited balance sheet as of the end of such fiscal quarter, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments; and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(d) as soon as practicable, but in any event within thirty (30) days of the end of each month, an unaudited income statement for such month, and an unaudited balance sheet as of the end of such month, all prepared in accordance with GAAP (except that such financial statements may (i) be subject to normal year-end audit adjustments and (ii) not contain all notes thereto that may be required in accordance with GAAP);

(e) as soon as practicable following the final meeting of the Board of Directors of each fiscal year (and in no event later than the earlier to occur of (i) the date that is fifteen (15) days following such meeting and (ii) the last day of such fiscal year), a budget and business plan for the next fiscal year (collectively, the “**Budget**”) approved at such meeting, prepared on a monthly basis, including balance sheets, income statements, and statements of cash flow for such months and, promptly after prepared, any other budgets or revised budgets prepared by the Company; provided, however, that, notwithstanding the forgoing, the Budget for fiscal year 2017 shall be delivered to each Major Investor on or before January 31, 2017;

(f) with respect to the financial statements called for in Subsection 3.1(a), Subsection 3.1(c) and Subsection 3.1(d), an instrument executed by the chief financial officer and chief executive officer of the Company certifying that such financial statements were prepared in accordance with GAAP consistently applied with prior practice for earlier periods (except as otherwise set forth in Subsection 3.1(c) and Subsection 3.1(d)) and fairly present the financial condition of the Company and its results of operation for the periods specified therein; and

(g) such other information relating to the financial condition, business, prospects, or corporate affairs of the Company as any Major Investor may from time to time reasonably request; *provided, however*, that the Company shall not be obligated under this Section 3.1 to provide information (i) that the Company reasonably determines in good faith to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in a form acceptable to the Company); or (ii) the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

If, for any period, the Company has any subsidiary whose accounts are consolidated with those of the Company, then in respect of such period the financial statements delivered pursuant to the foregoing sections shall be the consolidated and consolidating financial statements of the Company and all such consolidated subsidiaries.

Notwithstanding anything else in this Section 3.1 to the contrary, the Company may cease providing the information set forth in this Section 3.1 during the period starting with the date sixty (60) days before the Company's good-faith estimate of the date of filing of a registration statement if it reasonably concludes it must do so to comply with the SEC rules applicable to such registration statement and related offering; *provided* that the Company's covenants under this Section 3.1 shall be reinstated at such time as the Company is no longer actively employing its commercially reasonable efforts to cause such registration statement to become effective.

3.2 Inspection. The Company shall permit each Major Investor, *provided* that the Board of Directors has not reasonably determined that such Major Investor is a competitor of the Company, at such Major Investor's expense, to visit and inspect the Company's properties; examine its books of account and records; and discuss the Company's affairs, finances, and accounts with its officers, during normal business hours of the Company as may be reasonably requested by the Major Investor; *provided, however*, that the Company shall not be obligated pursuant to this Section 3.2 to provide access to any information that it reasonably and in good faith considers to be a trade secret or confidential information (unless covered by an enforceable confidentiality agreement, in form acceptable to the Company) or the disclosure of which would adversely affect the attorney-client privilege between the Company and its counsel.

3.3 Observer Rights. The Company shall invite a representative of each Investor having a right to designate a member of the Board of Directors pursuant to Sections 1.2(a) and 1.2(b)(ii) of the Voting Agreement to attend all meetings of its Board of Directors in a nonvoting observer capacity and, in this respect, shall give such representative copies of all notices, minutes, consents, and other materials that it provides to its directors at the same time and in the same manner as provided to such directors; *provided, however*, that such representative shall agree to hold in confidence and trust and to act in a fiduciary manner with respect to all information so provided; and *provided further*, that the Company reserves the right to withhold any information and to exclude such representative from any meeting or portion thereof if access to such information or attendance at such meeting could adversely affect the attorney-client privilege between the Company and its counsel or result in disclosure of trade secrets or a conflict of interest, or if such Investor or its representative is a competitor of the Company.

3.4 Termination of Information Rights. The covenants set forth in Section 3.1, Section 3.2 and Section 3.3 shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, whichever event occurs first.

3.5 Confidentiality. Each Investor agrees that such Investor will keep confidential and will not disclose, divulge, or use for any purpose (other than to monitor its investment in the Company) any confidential information obtained from the Company pursuant to the terms of this Agreement (including notice of the Company's intention to file a registration statement), unless such confidential information (a) is known or becomes known to the public in general (other than as a result of a breach of this Section 3.5 by such Investor), (b) is or has been independently developed or conceived by the Investor without use of the Company's confidential



information, or (c) is or has been made known or disclosed to the Investor by a third party without a breach of any obligation of confidentiality such third party may have to the Company; *provided, however*, that an Investor may disclose confidential information (i) to its attorneys, accountants, consultants, and other professionals to the extent necessary to obtain their services in connection with monitoring its investment in the Company; (ii) to any prospective purchaser of any Registrable Securities from such Investor, if such prospective purchaser agrees to be bound by the provisions of this Section 3.5; (iii) to any existing or prospective Affiliate, partner, member, stockholder, or wholly owned subsidiary of such Investor in the ordinary course of business; *provided* that such Investor informs such Person that such information is confidential and directs such Person to maintain the confidentiality of such information; or (iv) as may otherwise be required by law; *provided* that the Investor promptly notifies the Company of such disclosure and takes reasonable steps to minimize the extent of any such required disclosure.

#### 4. Rights to Future Stock Issuances.

4.1 Right of First Offer. Subject to the terms and conditions of this Section 4.1 and applicable securities laws, if the Company proposes to offer or sell any New Securities, the Company shall first offer such New Securities to each Investor. Any such Investor shall be entitled to apportion the right of first offer hereby granted to it in such proportions as it deems appropriate, among (i) itself and (ii) its Affiliates.

(a) The Company shall give notice (the “**Offer Notice**”) to each Investor, stating (i) its bona fide intention to offer such New Securities, (ii) the number of such New Securities to be offered, and (iii) the price and terms, if any, upon which it proposes to offer such New Securities.

(b) By notification to the Company within twenty (20) days after the Offer Notice is given, each Investor may elect to purchase or otherwise acquire, at the price and on the terms specified in the Offer Notice, up to that portion of such New Securities which equals the proportion that the Preferred Stock then held by such Investor (determined on an as-converted basis) bears to the total Preferred Stock then held by all Investors (determined on an as-converted basis). At the expiration of such twenty (20) day period, the Company shall promptly notify each Investor that elects to purchase or acquire all the shares available to it (each, a “**Fully Exercising Investor**”) of any other Investor’s failure to do likewise. During the ten (10) day period commencing after the Company has given such notice, each Fully Exercising Investor may, by giving notice to the Company, elect to purchase or acquire, in addition to the number of shares specified above, up to that portion of the New Securities for which Investors were entitled to subscribe but that were not subscribed for by the Investor which is equal to the proportion that the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of Preferred Stock and any other Derivative Securities then held, by such Fully Exercising Investor bears to the Common Stock issued and held, or issuable (directly or indirectly) upon conversion and/or exercise, as applicable, of the Preferred Stock and any other Derivative Securities then held, by all Fully Exercising Investors who wish to purchase such unsubscribed shares. The closing of any sale pursuant to this Section 4.1(b) shall occur within the later of ninety (90) days of the date that the Offer Notice is given and the date of initial sale of New Securities pursuant to Section 4.1(c).

(c) If all New Securities referred to in the Offer Notice are not elected to be purchased or acquired as provided in Section 4.1(b), the Company may, during the ninety (90) day period following the expiration of the periods provided in Section 4.1(b), offer and sell the remaining unsubscribed portion of such New Securities to any Person or Persons at a price not less than, and upon terms no more favorable to the offeree than, those specified in the Offer Notice. If the Company does not enter into an agreement for the sale of the New Securities within such period, or if such agreement is not consummated within thirty (30) days of the execution thereof, the right provided hereunder shall be deemed to be revived and such New Securities shall not be offered unless first reoffered to the holders of Preferred Stock in accordance with this Section 4.1.

(d) The right of first offer in this Section 4.1 shall not be applicable to (i) Exempted Securities (as defined in the Restated Certificate); (ii) shares of Common Stock issued in the IPO; and (iii) the issuance of shares of Series B Preferred Stock to pursuant to the Purchase Agreement.

(e) Notwithstanding any provision hereof to the contrary, in lieu of complying with the provisions of this Section 4.1 the Company may elect to give notice to the Investors within thirty (30) days after the issuance of New Securities. Such notice shall describe the type, price, and terms of the New Securities. Each Investor shall have twenty (20) days from the date notice is given to elect to purchase up to the number of New Securities that would, if purchased by such Investor, maintain such holder of Preferred Stock's percentage-ownership position, calculated as set forth in Section 4.1(b) before giving effect to the issuance of such New Securities. The closing of such sale shall occur within sixty (60) days of the date notice is given to the Investors.

4.2 Termination. The covenants set forth in Section 4.1 shall terminate and be of no further force or effect upon the earlier to occur of (i) immediately before but subject to the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event.

## 5. Additional Covenants.

### 5.1 Insurance.

(a) The Company shall maintain its Directors and Officers liability insurance, with a limits of liability not less than two million dollars (\$2,000,000) and on terms and conditions satisfactory to the Board of Directors, until such time as the Board of Directors determines that such insurance should be discontinued and which insurance shall not be cancelable by the Company without the prior approval by the Board of Directors; *provided*, that such insurance limits of liability shall be increased to not less than five million dollars (\$5,000,000) in connection with the IPO.

(b) The Company shall use its commercially reasonable efforts to maintain its term "key person" insurance on Pieter Muntendam, in an amount and on terms and conditions satisfactory to the Board of Directors, until such time as the Board of Directors

determines that such insurance should be discontinued. The key person policy shall name the Company as loss payee, and the policy shall not be cancelable by the Company without prior approval by the Board of Directors.

5.2 Employee Agreements. The Company will cause (i) all future employees employed by it or by any subsidiary (or engaged by the Company or any subsidiary as a consultant/independent contractor) with access to confidential information and/or trade secrets to enter into a nondisclosure and proprietary rights assignment agreement; and (ii) all future Key Employees to enter into a one (1) year noncompetition and nonsolicitation agreement, substantially in the form approved by the Board of Directors. In addition, the Company shall not amend, modify, terminate, waive, or otherwise alter, in whole or in part, any of the above-referenced agreements or any restricted stock agreement between the Company and any employee, without the consent of a majority of the Preferred Directors.

5.3 Employee Stock. Unless otherwise approved by the Board of Directors, including the approval of a majority of the Preferred Directors, all future employees and consultants of the Company who purchase, receive options to purchase, or receive awards of shares of the Company's capital stock after the date hereof shall be required to execute restricted stock or option agreements, as applicable, providing for (i) vesting of shares over a four (4) year period, with the first twenty-five percent (25%) of such shares vesting following twelve (12) months of continued employment or service, and the remaining shares vesting in equal monthly installments over the following thirty-six (36) months subject to continued service on behalf of the Company, and (ii) a market stand-off provision substantially similar to that in Section 2.11. In addition, unless otherwise approved by the Board of Directors, the Company shall retain a "right of first refusal" on employee transfers until the Company's IPO and shall have the right to repurchase unvested shares at the lower of (i) the price originally paid by the employee for such shares or (ii) the fair market value of such shares (as determined in good faith by the Board of Directors) upon termination of employment of a holder of restricted stock.

5.4 Qualified Small Business Stock. The Company shall use commercially reasonable efforts to cause the shares of Preferred Stock issued pursuant to the Purchase Agreement, as well as any shares into which such shares are converted, within the meaning of Section 1202(f) of the Internal Revenue Code (the "**Code**"), to constitute "qualified small business stock" as defined in Section 1202(c) of the Code; *provided, however*, that such requirement shall not be applicable if the Board of Directors of the Company determines, in its good-faith business judgment, that such qualification is inconsistent with the best interests of the Company. The Company shall submit to its stockholders (including the Investors) and to the Internal Revenue Service any reports that may be required under Section 1202(d)(1)(C) of the Code and the regulations promulgated thereunder. In addition, within twenty (20) business days after any Investor's written request therefor, the Company shall, at its option, either (i) deliver to such Investor a written statement indicating whether (and what portion of) such Investor's interest in the Company constitutes "qualified small business stock" as defined in Section 1202(c) of the Code or (ii) deliver to such Investor such factual information in the Company's possession as is reasonably necessary to enable such Investor to determine whether (and what portion of) such Investor's interest in the Company constitutes "qualified small business stock" as defined in Section 1202(c) of the Code.

5.5 Matters Requiring Investor Director Approval. So long as the holders of Preferred Stock are entitled to elect a Preferred Director, the Company hereby covenants and agrees with each of the Investors that it shall not, without approval of the Board of Directors, which approval must include the affirmative vote of a majority of the Preferred Directors:

- (a) make, or permit any subsidiary to make, any loan or advance to, or own any stock or other securities of, any subsidiary or other corporation, partnership, or other entity unless it is wholly owned by the Company;
- (b) make, or permit any subsidiary to make, any loan or advance to any Person, including, without limitation, any employee or director of the Company or any subsidiary, except advances and similar expenditures in the ordinary course of business or under the terms of an employee stock or option plan approved by the Board of Directors;
- (c) guarantee, directly or indirectly, or permit any subsidiary to guarantee, directly or indirectly, any indebtedness except for trade accounts of the Company or any subsidiary arising in the ordinary course of business;
- (d) make any investment inconsistent with any investment policy approved by the Board of Directors;
- (e) incur any aggregate indebtedness in excess of \$500,000 that is not already included in a budget approved by the Board of Directors, other than trade credit incurred in the ordinary course of business;
- (f) otherwise enter into or be a party to any transaction with any director, officer, or employee of the Company or any “associate” (as defined in Rule 12b-2 promulgated under the Exchange Act) of any such Person, except for transactions contemplated by this Agreement, the Purchase Agreement, and the other Transaction Agreements (as defined in the Purchase Agreement); transactions resulting in payments to or by the Company in an aggregate amount less than \$120,000 per year; or transactions made in the ordinary course of business and pursuant to reasonable requirements of the Company’s business and upon fair and reasonable terms that are approved by a majority of the Board of Directors;
- (g) hire, terminate the employment of, or change the compensation of the executive officers, including approving any option grants or stock awards to executive officers;
- (h) change the principal business of the Company, enter new lines of business, or exit the current line of business;
- (i) sell, assign, license, pledge, or encumber material technology or intellectual property, other than licenses granted in the ordinary course of business; or
- (j) enter into any corporate strategic relationship involving the payment, contribution, or assignment by the Company or to the Company of money or assets greater than \$100,000.

5.6 Board Matters. Unless otherwise determined by the vote of a majority of the directors then in office, which shall include the affirmative vote of at least three of the Preferred Directors, the Board of Directors shall meet at least quarterly in accordance with an agreed-upon schedule. The Company shall reimburse the non-employee directors for all reasonable out-of-pocket travel expenses incurred (consistent with the Company's travel policy) in connection with attending meetings of the Board of Directors. The Company shall cause to be established, as soon as practicable after such request, and will maintain, an audit and compensation committee, each of which shall consist solely of non-management directors. Each non-employee director shall be entitled in such person's discretion to be a member of any Board committee. Each committee of the Board of Directors shall have at least one Preferred Director as a member.

5.7 Successor Indemnification. If the Company or any of its successors or assignees consolidates with or merges into any other Person and is not the continuing or surviving corporation or entity of such consolidation or merger, then to the extent necessary, proper provision shall be made so that the successors and assignees of the Company assume the obligations of the Company with respect to indemnification of members of the Board of Directors as in effect immediately before such transaction, whether such obligations are contained in the Company's Bylaws, the Restated Certificate, or elsewhere, as the case may be.

5.8 Indemnification Matters. The Company hereby acknowledges that one (1) or more of the directors nominated to serve on the Board of Directors by the Investors (each a "**Fund Director**") may have certain rights to indemnification, advancement of expenses and/or insurance provided by one or more of the Investors and certain of their affiliates (collectively, the "**Fund Indemnitors**"). The Company hereby agrees (a) that it is the indemnitor of first resort (*i.e.*, its obligations to any such Fund Director are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by such Fund Director are secondary), (b) that it shall be required to advance the full amount of expenses incurred by such Fund Director and shall be liable for the full amount of all expenses, judgments, penalties, fines and amounts paid in settlement by or on behalf of any such Fund Director to the extent legally permitted and as required by the Restated Certificate or Bylaws of the Company (or any agreement between the Company and such Fund Director), without regard to any rights such Fund Director may have against the Fund Indemnitors, and, (c) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of any such Fund Director with respect to any claim for which such Fund Director has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of such Fund Director against the Company.

5.9 Termination of Covenants. Except as provided in the following sentence, the covenants set forth in this Section 5, except for Sections 5.7 and 5.8, shall terminate and be of no further force or effect (i) immediately before the consummation of the IPO, (ii) when the Company first becomes subject to the periodic reporting requirements of Section 12(g) or 15(d) of the Exchange Act, or (iii) upon a Deemed Liquidation Event, whichever event occurs first.

The covenants set forth in Section 5.10 shall terminate and be of no further force or effect (i) pursuant to its terms (i.e., once Sun Pharmaceutical Industries Inc. (“**Sun Pharma**”) owns less than least five percent (5%) of the Company’s outstanding capital stock (on an as-converted basis)), or (ii) upon a Deemed Liquidation Event, whichever event occurs first.

5.10 Notice of Strategic Opportunities. For so long as Sun Pharma owns at least five percent (5%) of the Company’s outstanding capital stock (on an as-converted basis), the Company will provide Sun Pharma reasonably prompt notice of any inbound written third-party proposal received by the Company for (i) the licensing or purchase of the Company’s products or (ii) with respect to a potential merger or acquisition of the Company by such third party that has been shared and discussed with the Company’s Board of Directors and which the Company’s Board of Directors directs the Company’s management to commence negotiations in respect of such proposal or to explore similar alternative proposals with other third parties; provided, however, that (i) the Company shall not be obligated to disclose to Sun Pharma the identity of such third-party or the substantive terms of any such third-party proposal, (ii) Sun Pharma shall have no right to disclose to any third party (other than to its Affiliates) the existence of such notice or the information contained in such notice, or take any other action which would reasonably likely result in the Company being required to publicly disclose the existence of such notice or such information, (iii) the information disclosed by the Company is agreed to be confidential information of the Company, which Sun Pharma acknowledges is material, non-public information of the Company, and (iv) following the IPO, the Company shall not be obligated to provide such notice if the Company shall have determined in good faith and after consultation with reputable external legal counsel that providing such notice would be inconsistent with the fiduciary duties of the Board of Directors to the stockholders of Company under applicable laws. Following the Company’s provision of any notice required under this Section 5.10, the Company and its advisors shall be free to conduct any such process as they in their sole discretion will determine, including, without limitation, negotiating with any of the prospective third parties and entering into a definitive agreement without additional notice to Sun Pharma.

5.11 Publicity. Prior to issuing any press release, having any written communication with the press (whether or not for attribution), or making any other written public statement that contains (i) the name of Sun Pharmaceuticals Industries Limited or any of its Affiliates (or, in each case, any derivation thereof) (collectively, “**Sun Pharma Ltd.**”) or (ii) any Sun Pharma Ltd. mark or logo, (each, a Public Statement Ltd.), the Company will provide reasonable notice in writing (with drafts of such Public Statement attached thereto) to Sun Pharma Ltd. prior to releasing such Public Statement to the public and the Company shall take into account the reasonable comments of Sun Pharma Ltd. Notwithstanding the foregoing, the Company may identify Sun Pharma Ltd. as required by law, rule or regulation.

## 6. Miscellaneous.

6.1 Successors and Assigns. The rights under this Agreement may be assigned (but only with all related obligations) by a Holder to a transferee of Registrable Securities that (i) is an Affiliate of a Holder; (ii) is a Holder’s Immediate Family Member or trust for the benefit of an individual Holder or one or more of such Holder’s Immediate Family Members; or (iii) after such transfer, holds at least 20% of such Holder’s shares of Registrable

Securities immediately prior to such assignment or transfer; *provided, however*, that (x) the Company is, within a reasonable time after such transfer, furnished with written notice of the name and address of such transferee and the Registrable Securities with respect to which such rights are being transferred; and (y) such transferee agrees in a written instrument delivered to the Company to be bound by and subject to the terms and conditions of this Agreement, including the provisions of [Section 2.11](#). For the purposes of determining the number of shares of Registrable Securities held by a transferee, the holdings of a transferee (1) that is an Affiliate or stockholder of a Holder; (2) who is a Holder's Immediate Family Member; or (3) that is a trust for the benefit of an individual Holder or such Holder's Immediate Family Member shall be aggregated together and with those of the transferring Holder; *provided further* that all transferees who would not qualify individually for assignment of rights shall have a single attorney-in-fact for the purpose of exercising any rights, receiving notices, or taking any action under this Agreement. The terms and conditions of this Agreement inure to the benefit of and are binding upon the respective successors and permitted assignees of the parties. Nothing in this Agreement, express or implied, is intended to confer upon any party other than the parties hereto or their respective successors and permitted assignees any rights, remedies, obligations or liabilities under or by reason of this Agreement, except as expressly provided herein.

6.2 [Governing Law](#). This Agreement shall be governed by the internal law of the State of Delaware, without regard to any conflicts of laws principles that would require the application of laws of any other jurisdiction.

6.3 [Counterparts](#). This Agreement may be executed in two (2) or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. Counterparts may be delivered via facsimile, electronic mail (including pdf or any electronic signature complying with the U.S. federal ESIGN Act of 2000, *e.g.*, [www.docuSign.com](http://www.docuSign.com)) or other transmission method and any counterpart so delivered shall be deemed to have been duly and validly delivered and be valid and effective for all purposes.

6.4 [Titles and Subtitles](#). The titles and subtitles used in this Agreement are for convenience only and are not to be considered in construing or interpreting this Agreement.

6.5 [Notices](#). All notices and other communications given or made pursuant to this Agreement shall be in writing and shall be deemed effectively given upon the earlier of actual receipt or (i) personal delivery to the party to be notified; (ii) when sent, if sent by electronic mail or facsimile during the recipient's normal business hours, and if not sent during normal business hours, then on the recipient's next business day; (iii) five (5) days after having been sent by registered or certified mail, return receipt requested, postage prepaid; or (iv) one (1) business day after the business day of deposit with a nationally recognized overnight courier, freight prepaid, specifying next-day delivery, with written verification of receipt. All communications shall be sent to the respective parties at their addresses as set forth on [Schedule A](#) hereto, or to the principal office of the Company and to the attention of the Chief Executive Officer, in the case of the Company, or to such email address, facsimile number, or address as subsequently modified by written notice given in accordance with this [Section 6.5](#). If notice is given to the Company, a copy shall also be sent to Goodwin Procter LLP, 100 Northern Avenue, Boston, MA 02210, Attn: Arthur R. McGivern, fax: (617) 321-4737; email [amcgivern@goodwinlaw.com](mailto:amcgivern@goodwinlaw.com); and if notice is given to Investors, a copy shall also be given to

(i) Freshfields Bruckhaus Deringer US LLP, 601 Lexington Avenue, 31st Floor, New York, NY 10022, Attn: Peter D. Lyons, fax: (212) 277-4000; email: peter.lyons@freshfields.com and (ii) Wilmer Cutler Pickering Hale and Dorr LLP, 60 State Street, Boston, MA 02109, Attn: Stuart M. Falber, fax: (617) 526-5000; email: stuart.falber@wilmerhale.com.

6.6 Amendments and Waivers. Any term of this Agreement may be amended and the observance of any term of this Agreement may be waived (either generally or in a particular instance, and either retroactively or prospectively) only with the written consent of the Company and the holders of at least sixty percent (60%) of the Registrable Securities then outstanding; *provided* that the Company may in its sole discretion waive compliance with Section 2.12(c) (and the Company's failure to object promptly in writing after notification of a proposed assignment allegedly in violation of Section 2.12(c) shall be deemed to be a waiver); and *provided further* that any provision hereof may be waived by any waiving party on such party's own behalf, without the consent of any other party. Notwithstanding the foregoing, this Agreement may not be amended or terminated and the observance of any term hereof may not be waived with respect to any Investor without the written consent of such Investor, unless such amendment, termination, or waiver applies to all Investors in the same fashion (it being agreed that a waiver of the provisions of Section 4 with respect to a particular transaction shall be deemed to apply to all Investors in the same fashion if such waiver does so by its terms, notwithstanding the fact that certain Investors may nonetheless, by agreement with the Company, purchase securities in such transaction). Further, Section 5.10 shall not be amended or waived without the written consent of Sun Pharma. The Company shall give prompt notice of any amendment or termination hereof or waiver hereunder to any party hereto that did not consent in writing to such amendment, termination, or waiver. Any amendment, termination, or waiver effected in accordance with this Section 6.6 shall be binding on all parties hereto, regardless of whether any such party has consented thereto. No waivers of or exceptions to any term, condition, or provision of this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such term, condition, or provision.

6.7 Severability. In case any one or more of the provisions contained in this Agreement is for any reason held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision of this Agreement, and such invalid, illegal, or unenforceable provision shall be reformed and construed so that it will be valid, legal, and enforceable to the maximum extent permitted by law.

6.8 Aggregation of Stock. All shares of Registrable Securities held or acquired by Affiliates shall be aggregated together for the purpose of determining the availability of any rights under this Agreement and such Affiliated Persons may apportion such rights as among themselves in any manner they deem appropriate.

6.9 Reserved.

6.10 Entire Agreement. This Agreement (including any Schedules and Exhibits hereto) constitutes the full and entire understanding and agreement among the parties with respect to the subject matter hereof, and any other written or oral agreement relating to the subject matter hereof existing between the parties is expressly canceled. The Prior Agreement is superseded by this Agreement and is otherwise of no further force or effect.



6.11 Dispute Resolution. The parties (a) hereby irrevocably and unconditionally submit to the jurisdiction of the state courts of the Commonwealth of Massachusetts and to the jurisdiction of the United States District Court for the District of Massachusetts for the purpose of any suit, action or other proceeding arising out of or based upon this Agreement, (b) agree not to commence any suit, action or other proceeding arising out of or based upon this Agreement except in the state courts of the Commonwealth of Massachusetts or the United States District Court for the District of Massachusetts, and (c) hereby waive, and agree not to assert, by way of motion, as a defense, or otherwise, in any such suit, action or proceeding, any claim that it is not subject personally to the jurisdiction of the above-named courts, that its property is exempt or immune from attachment or execution, that the suit, action or proceeding is brought in an inconvenient forum, that the venue of the suit, action or proceeding is improper or that this Agreement or the subject matter hereof may not be enforced in or by such court.

WAIVER OF JURY TRIAL: EACH PARTY HEREBY WAIVES ITS RIGHTS TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE OTHER TRANSACTION DOCUMENTS, THE SECURITIES OR THE SUBJECT MATTER HEREOF OR THEREOF. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL-ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT AND THAT RELATE TO THE SUBJECT MATTER OF THIS TRANSACTION, INCLUDING, WITHOUT LIMITATION, CONTRACT CLAIMS, TORT CLAIMS (INCLUDING NEGLIGENCE), BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW AND STATUTORY CLAIMS. THIS SECTION HAS BEEN FULLY DISCUSSED BY EACH OF THE PARTIES HERETO AND THESE PROVISIONS WILL NOT BE SUBJECT TO ANY EXCEPTIONS. EACH PARTY HERETO HEREBY FURTHER WARRANTS AND REPRESENTS THAT SUCH PARTY HAS REVIEWED THIS WAIVER WITH ITS LEGAL COUNSEL, AND THAT SUCH PARTY KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS FOLLOWING CONSULTATION WITH LEGAL COUNSEL.

The prevailing party shall be entitled to reasonable attorneys' fees, costs, and necessary disbursements in addition to any other relief to which such party may be entitled. Each of the parties to this Agreement consents to personal jurisdiction for any equitable action sought in the U.S. District Court for the District of Massachusetts or any court of the Commonwealth of Massachusetts having subject matter jurisdiction.

6.12 Delays or Omissions. No delay or omission to exercise any right, power, or remedy accruing to any party under this Agreement, upon any breach or default of any other party under this Agreement, shall impair any such right, power, or remedy of such nonbreaching or nondefaulting party, nor shall it be construed to be a waiver of or acquiescence to any such breach or default, or to any similar breach or default thereafter occurring, nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default theretofore or thereafter occurring. All remedies, whether under this Agreement or by law or otherwise afforded to any party, shall be cumulative and not alternative.

6.13 Acknowledgement. The Company acknowledges that the Investors are in the business of venture capital investing and therefore review the business plans and related proprietary information of many enterprises, including enterprises which may have products or services which compete directly or indirectly with those of the Company. Nothing in this Agreement shall preclude or in any way restrict the Investors from investing or participating in any particular enterprise whether or not such enterprise has products or services which compete with those of the Company. Further, neither OrbiMed Private Investments V, L.P. nor any of its Affiliates shall be deemed to be a competitor of the Company for purposes of Section 3 as a result of their investing or participating in any particular enterprise in connection with any venture capital investing business activities.

*[Remainder of Page Intentionally Left Blank]*

IN WITNESS WHEREOF, the parties have executed this Amended and Restated Investors' Rights Agreement as of the date first written above.

**SCPHARMACEUTICALS INC.**

By: /s/ Pieter Muntendam

Pieter Muntendam  
President

*[Signature Page to A&R Investors' Rights Agreement]*

**INVESTORS:**

**5AM VENTURES IV, L.P.**

By: 5AM Partners IV, LLC,  
its General Partner

By: /s/ Scott M. Rocklage  
\_\_\_\_\_  
Scott M. Rocklage  
Managing Member

**5AM CO-VENTURES IV, L.P.**

5AM Partners IV, LLC,  
its General Partner

By: /s/ Scott M. Rocklage  
\_\_\_\_\_  
Scott M. Rocklage  
Managing Member

*[Signature Page to A&R Investors' Rights Agreement]*

**LUNDBECKFOND INVEST A/S**

By: Lundbeckfondcn Ventures,  
its sole General Partner

By: /s/ Lene Skole

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Lene Skole  
Chief Executive Officer,  
Lundbeckfonden

By: /s/ Mette Kirstine Agger

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Mette Kirstine Agger  
Managing Partner,  
Lundbeckfonden Ventures

*[Signature Page to A&R Investors' Rights Agreement]*

**SUN PHARMACEUTICAL INDUSTRIES INC.**

By: /s/ Mukul Rathi

Name: Mukul Rathi

Title: CFO

*[Signature Page to A&R Investors' Rights Agreement]*

**OrbiMed Private Investments VI, LP**

By: OrbiMed Capital GP VI LLC,  
its General Partner

By: OrbiMed Advisors LLC,  
its Managing Member

By: /s/ Carl Gordon

Name: Carl Gordon

Title: Member

*[Signature Page to A&R Investors' Rights Agreement]*

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**INVESTORS:**

**ROBERT DUANE**

/s/ Robert Duane

(Signature of Investor)

*[Signature Page to A&R Investors' Rights Agreement]*



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**INVESTORS:**

**RODERICK MACDONALD**

/s/ Roderick Macdonald

(Signature of Investor)

*[Signature Page to A&R Investors' Rights Agreement]*

**INVESTORS:**

**SANDRA SINCERO**

/s/ Sandra Sincero

(Signature of Investor)

*[Signature Page to A&R Investors' Rights Agreement]*

**SCHEDULE A**

**Investors**

5AM Ventures IV, L.P.

5AM Co-Investors IV, L.P.

Lundbeckfond Invest A/S

Sun Pharmaceutical Industries Inc.

OrbiMed Private Investments VI, L.P.

Jonathan H. Paul

Pieter Muntendam

The Barnett Family Trust

Roderick Macdonald

Sandra Sincero

Robert Duane

Schedule A-1

Adopted: March 24, 2014  
Amended: May 15, 2015  
Amended: March 16, 2016  
Amended: December 21, 2016  
Amended: March 7, 2017

**SCPHARMACEUTICALS INC.  
2014 Stock Incentive Plan**

**1. Purpose.**

The purpose of this plan (the “**Plan**”) is to secure for scPharmaceuticals Inc., a Delaware corporation (the “**Company**”) and its shareholders the benefits arising from capital stock ownership by employees, officers and directors of, and consultants or advisors to, the Company and its parent and subsidiary corporations who are expected to contribute to the Company’s future growth and success. Under the Plan recipients may be awarded both (i) Options (as defined in Section 2.1) to purchase the Company’s common stock, par value \$0.0001 (“**Common Stock**”) and (ii) shares of Common Stock (“**Restricted Stock Awards**”). Except where the context otherwise requires, the term “**Company**” shall include any parent and all present and future subsidiaries of the Company as defined in Sections 424(e) and 424(f) of the Internal Revenue Code of 1986, as amended or replaced from time to time (the “**Code**”). Those provisions of the Plan which make express reference to Section 422 of the Code shall apply only to Incentive Stock Options (as that term is defined below). **Appendix A to this Plan shall apply only to participants in the Plan who are residents of the State of California.**

**2. Types of Awards and Administration.**

**2.1 Options.** Options granted pursuant to the Plan (“**Options**”) shall be authorized by action of the Board of Directors of the company (the “**Board**” or “**Board of Directors**”) and may be either incentive stock options (“**Incentive Stock Options**”) meeting the requirements of Section 422 of the Code or non-statutory Options which are not intended to meet the requirements of Section 422. All Options when granted are intended to be non-statutory Options, unless the applicable Option Agreement (as defined in Section 5.1) explicitly states that the Option is intended to be an Incentive Stock Option. The vesting of Options may be conditioned upon the completion of a specified period of employment with the Company and/or such other conditions or events as the Board may determine. The Board may also provide that Options are immediately exercisable subject to certain repurchase rights in the Company dependent upon the continued employment of the optionee and/or such other conditions or events as the Board may determine.

**2.1.1 Incentive Stock Options.** Incentive Stock Options may only be granted to employees of the Company. For so long as the Code shall so provide, Options granted to any employee under the Plan (and any other incentive stock option plans of the Company) which are intended to constitute Incentive Stock Options shall not constitute Incentive Stock Options to the extent that such Options, in the aggregate, become exercisable for the first time in any one calendar year for shares of Common Stock with an aggregate fair market value (determined as of the respective date or dates of grant) of more than \$100,000. If an Option is intended to be an Incentive Stock Option, and if for any reason such Option (or any portion thereof) shall not qualify as an Incentive Stock Option, then, to the extent of such nonqualification, such Option (or portion thereof) shall be regarded as a non-statutory Option appropriately granted under the Plan *provided* that such Option (or portion thereof) otherwise meets the Plan’s requirements relating to non-statutory Options.

**2.2 Restricted Stock Awards.** The Board in its discretion may grant Restricted Stock Awards, entitling the recipient to acquire, for a purchase price determined by the Board, shares of Common Stock subject to such restrictions and conditions as the Board may determine at the time of grant (“**Restricted Stock**”), including continued employment and/or achievement of pre-established performance goals and objectives.

2.3 Administration. The Plan shall be administered by the Board, whose construction and interpretation of the terms and provisions of the Plan shall be final and conclusive. The Board may in its sole discretion authorize issuance of Restricted Stock, the grant of Options and the issuance of shares upon exercise of such Options as provided in the Plan. The Board shall have authority, subject to the express provisions of the Plan, to construe Restricted Stock Agreements, Option Agreements and the Plan, to prescribe, amend and rescind rules and regulations relating to the Plan, to determine the terms and provisions of Restricted Stock Agreements and Option Agreements, and to make all other determinations in the judgment of the Board necessary or desirable for the administration the Plan. The Board may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Restricted Stock Agreement or Option Agreement in the manner and to the extent it shall deem expedient to carry the Plan into effect and it shall be the sole and final judge of such expediency. No director or person acting pursuant to authority delegated by the Board shall be liable for any action or determination under the Plan made in good faith. The Board may, to the full extent permitted by or consistent with applicable laws or regulations, delegate any or all of its powers under the Plan to a committee (the “**Committee**”) appointed by the Board, and if the Committee is so appointed, to the extent of such delegation, all references to the Board in the Plan shall mean and relate to such Committee, other than references to the Board in this sentence and in Section 18 (as to amendment or termination of the Plan) and Section 22.

### 3. Eligibility.

Options may be granted, and Restricted Stock may be issued, to persons who are, at the time of such grant or issuance, employees, officers or directors of, or consultants or advisors to, the Company; *provided*, that the class of persons to whom Incentive Stock Options may be granted shall be limited to employees of the Company.

3.1 10% Shareholder. If any employee to whom an Incentive Stock Option is to be granted is, at the time of the grant of such Option, the owner of stock possessing more than 10% of the total combined voting power of all classes of stock of the Company (after taking into account the attribution of stock ownership rules of Section 424(d) of the Code) (a “**Greater Than 10% Shareholder**”), any Incentive Stock Option granted to such individual must: (i) have an exercise price per share of not less than 110% of the fair market value of one share of Common Stock at the time of grant; and (ii) expire by its terms not more than five years from the date of grant.

### 4. Stock Subject to Plan.

Subject to adjustment as provided in Section 14.2 below, the maximum number of shares of Common Stock which may be issued under the Plan is 9,070,046 shares, all of which may be issued with respect to Incentive Stock Options. If an Option shall expire or terminate for any reason without having been exercised in full, the unpurchased shares subject to such Option shall again be available for subsequent Option grants or Restricted Stock Awards under the Plan. If shares of Restricted Stock shall be forfeited to, or otherwise repurchased by, the Company pursuant to a Restricted Stock Agreement, such repurchased shares shall again be available for subsequent Option grants or Restricted Stock Awards under the Plan. If shares issued upon exercise of an Option are tendered to the Company in payment of the exercise price of an Option, such tendered shares shall again be available for subsequent Option grants or Restricted Stock Awards under the Plan.

## 5. Forms of Restricted Stock Agreements and Option Agreements.

5.1 Option Agreement. Each recipient of an Option shall execute an option agreement (“**Option Agreement**”) in such form not inconsistent with the Plan as may be approved by the Board of Directors. Such Option Agreements may differ among recipients.

5.2 Restricted Stock Agreement. Each recipient of a grant of Restricted Stock shall execute an agreement (“**Restricted Stock Agreement**”) in such form not inconsistent with the Plan as may be approved by the Board of Directors. Such Restricted Stock Agreements may differ among recipients.

5.3 “Lock-Up” Agreement. Unless the Board specifies otherwise, each Restricted Stock Agreement and Option Agreement shall provide that upon the request of the Company or the managing underwriter(s) of any offering of securities of the Company that is the subject of a registration statement filed under the United States Securities Act of 1933, as amended from time to time (the “**Act**”), the holder of any Option or the purchaser of any Restricted Stock shall, in connection therewith, agree in writing (in such form as the Company or such managing underwriter(s) shall request) to the general effect that for a period of time (not to exceed 180 days, plus such additional number of days (not to exceed 35) as may reasonably be requested to enable the underwriter(s) of such offering to comply with Rule 2711(f) of the Financial Industry Regulatory Authority or any amendment or successor thereto) from the effective date of the registration statement under the Act for such offering, the holder or purchaser will not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares of the common stock of the Company owned or controlled by him or her.

## 6. Purchase Price.

6.1 General. The purchase price per share of Restricted Stock and per share of stock deliverable upon the exercise of an Option shall be determined by the Board, *provided, however*, that in the case of any Option, the exercise price shall not be less than 100% of the fair market value of such stock, as determined by the Board, at the time of grant of such Option, or less than 110% of such fair market value in the case of any Incentive Stock Option granted to a Greater Than 10% Shareholder.

6.2 Payment of Purchase Price. Option Agreements may provide for the payment of the exercise price by delivery of cash or a check to the order of the Company in an amount equal to the exercise price of such Options, or, to the extent provided in the applicable Option Agreement, by one of the following methods:

- (i) with the consent of the Board, by delivery to the Company of shares of Common Stock; such surrendered shares shall have a fair market value equal in amount to the exercise price of the Options being exercised,
- (ii) with the consent of the Board, a personal recourse note issued by the optionee to the Company in a principal amount equal to such aggregate exercise price and with such other terms, including interest rate and maturity, as the Company may determine in its discretion; *provided, however*, that the interest rate borne by such note shall not be less than the lowest applicable federal rate, as defined in Section 1274(d) of the Code,

(iii) with the consent of the Board, if the class of Common Stock is registered under the Securities Exchange Act of 1934 at such time, subject to rules as may be established by the Board, by delivery to the Company of a properly executed exercise notice along with irrevocable instructions to a broker to promptly deliver to the Company cash or a check payable and acceptable to the Company for the purchase price,

(iv) with the consent of the Board, by reducing the number of Option shares otherwise issuable to the optionee upon exercise of the Option by a number of shares of Common Stock having a fair market value equal to such aggregate exercise price,

(v) with the consent of the Board, by any combination of such methods of payment.

The fair market value of any shares of Common Stock or other non-cash consideration which may be delivered upon exercise of an Option shall be determined by the Board of Directors. Restricted Stock Agreements may provide for the payment of any purchase price in any manner approved by the Board of Directors at the time of authorizing the issuance thereof.

#### 7. Option Period.

Notwithstanding any other provision of the Plan or any Option Agreement, each Option and all rights thereunder shall expire on the date specified in the applicable Option Agreement, *provided* that such date shall not be later than ten years after the date on which the Option is granted (or five years in the case of an Incentive Stock Option granted to a Greater Than 10% Shareholder), and in either case, shall be subject to earlier termination as provided in the Plan or Option Agreement.

#### 8. Exercise of Options.

8.1 General. Each Option shall be exercisable either in full or in installments at such time or times and during such period as shall be set forth in the Option Agreement evidencing such Option, subject to the provisions of the Plan. To the extent not exercised, installments shall accumulate and be exercisable, in whole or in part, at any time after becoming exercisable, but not later than the date the Option expires.

8.2 Notice of Exercise. An Option may be exercised by the optionee by delivering to the Company on any business day a written notice specifying the number of shares of Common Stock the optionee then desires to purchase and specifying the address to which the certificates for such shares are to be mailed (the “**Notice**”), accompanied by payment for such shares. In addition, the Company may require any individual to whom an Option is granted, as a condition of exercising such Option, to give written assurances (the “**Investment Letter**”) in a substance and form satisfactory to the Company to the effect that such individual is acquiring the Common Stock subject to the Option for his or her own account for investment and not with a view to the resale or distribution thereof, and to such other effects as the Company deems necessary or advisable in order to comply with any securities law(s).

8.3 Delivery. As promptly as practicable after receipt of the Notice, the Investment Letter (if required) and payment, the Company shall deliver or cause to be delivered to the optionee certificates for the number of shares with respect to which such Option has been so exercised, issued in the optionee's name; *provided, however*, that such delivery shall be deemed effected for all purposes when the Company or a stock transfer agent shall have deposited such certificates in the United States mail addressed to the optionee, at the address specified in the Notice.

9. Nontransferability of Options.

No Option shall be assignable or transferable by the person to whom it is granted, either voluntarily or by operation of law, except by will or the laws of descent and distribution. During the life of an optionee, an Option shall be exercisable only by the optionee.

10. Termination of Employment; Disability; Death. Except as may be otherwise expressly provided in the terms and conditions of the Option Agreement, Options shall terminate on the earliest to occur of:

(i) the date of expiration thereof;

(ii) 0 days after termination of the optionee's employment with, or provision of services to, the Company by the Company for Cause (as hereinafter defined);

(iii) 90 days after the date of voluntary termination of the optionee's employment with, or provision of services to, the Company by the optionee (other than for death or permanent disability as defined below) for any reason, with or without Good Reason; or

(iv) 90 days after the date of termination of the optionee's employment with, or provision of services to, the Company by the Company without Cause (other than for death or permanent disability as defined below).

Until the date on which the Option so expires, the optionee may exercise that portion of his or her Option which is exercisable at the time of termination of the employment or service relationship.

An employment or service relationship between the Company and the optionee shall be deemed to exist during any period during which the optionee is employed by or providing services to the Company. Whether an authorized leave of absence or an absence due to military or government service shall constitute termination of the employment relationship between the Company and the optionee shall be determined by the Board at the time thereof.

For purposes of this Section 10, the term "**Cause**" shall mean (a) any material breach by the optionee of any agreement to which the optionee and the Company are both parties, (b) any act (other than retirement) or omission to act by the optionee which may have a material and adverse effect on the Company's business or on the optionee's ability to perform services for the Company, including, without limitation, the commission of any crime (other than minor traffic violations), or (c) any material misconduct or material neglect of duties by the optionee in connection with the business or affairs of the Company. An optionee's employment shall be deemed to have been terminated for Cause if the Company determines within thirty (30) days of the termination of employment (whether such termination was voluntary or involuntary) that termination for Cause was warranted.



In the event of the permanent and total disability or death of an optionee while in an employment or other relationship with the Company, any Option held by such optionee shall terminate on the earlier of the date of expiration of the Option or one year following the date of such disability or death. After disability or death, the optionee (or in the case of death, his or her executor, administrator or any person or persons to whom this option may be transferred by will or by laws of descent and distribution) shall have the right, at any time prior to such termination of an Option, to exercise the Option to the extent the optionee was entitled to exercise such Option as of the date of his or her disability or death. An optionee is permanently and totally disabled if he or she is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment which can be expected to last for a continuous period of not less than 12 months; permanent and total disability shall be determined in accordance with Section 22(e)(3) of the Code and the regulations issued thereunder.

For purposes of this Section 10, the term “**Good Reason**” shall mean means the occurrence of any of the following events: (i) a material adverse change in the nature or scope of the optionee’s responsibilities, authorities, powers, functions or duties; (ii) a material reduction in the optionee’s annual base salary except for across-the-board salary reductions similarly affecting all or substantially all similarly-situated employees; or (iii) the relocation of the offices at which the optionee is principally employed to a location more than 50 miles from such offices. In the event the optionee is a party to an employment agreement with the Company or any successor entity that contains a different definition of “good reason,” the definition set forth in such other agreement shall be applicable to the optionee for purposes of this Option and not this definition.

11. Rights as a Shareholder. The holder of an Option shall have no rights as a shareholder with respect to any shares covered by the Option (including, without limitation, any rights to receive dividends or non-cash distributions with respect to such shares) until the date of issue of a stock certificate to him or her for such shares. No adjustment shall be made for dividends or other rights for which the record date is prior to the date such stock certificate is issued.

12. Additional Provisions. The Board of Directors may, in its sole discretion, include additional provisions in Restricted Stock Agreements and Option Agreements, including, without limitation, restrictions on transfer, rights of the Company to repurchase shares of Restricted Stock or shares of Common Stock acquired upon exercise of Options, commitments to pay cash bonuses, to make, arrange for or guaranty loans or to transfer other property to optionees upon exercise of Options, or such other provisions as shall be determined by the Board of Directors; *provided* that such additional provisions shall not be inconsistent with any other term or condition of the Plan and such additional provisions shall not be such as to cause any Incentive Stock Option to fail to qualify as an Incentive Stock Option within the meaning of Section 422 of the Code.

13. Acceleration, Extension, Etc. The Board of Directors may, in its sole discretion, (i) accelerate the date or dates on which all or any particular Option or Options may be exercised or (ii) extend the period or periods of time during which all, or any particular, Option or Options may be exercised.

#### 14. Adjustment Upon Changes in Capitalization.

14.1 No Effect of Options upon Certain Corporate Transactions. The existence of outstanding Options shall not affect in any way the right or power of the Company to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the Company's capital structure or its business, or any merger or consolidation, or any issue of Common Stock, or any issue of bonds, debentures, preferred or prior preference stock ahead of or affecting the Common Stock or the rights thereof, or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

14.2 Adjustment Provisions. If, through or as a result of any merger, consolidation, sale of all or substantially all of the assets of the Company, reorganization, recapitalization, reclassification, stock dividend, stock split, reverse stock split or other similar transaction, (i) the outstanding shares of Common Stock are increased, decreased or exchanged for a different number or kind of shares or other securities of the Company, or (ii) additional shares or new or different shares or other securities of the Company or other non-cash assets are distributed with respect to such shares of Common Stock or other securities, an appropriate and proportionate adjustment shall be made in (x) the maximum number and kind of shares reserved for issuance under the Plan, (y) the number and kind of shares or other securities subject to any then outstanding Options, and (z) the price for each share or other security subject to any then outstanding Options, so that upon exercise of such Options, in lieu of the shares of Common Stock for which such Options were then exercisable, the relevant optionee shall be entitled to receive, for the same aggregate consideration, the same total number and kind of shares or other securities, cash or property that the owner of an equal number of outstanding shares of Common Stock immediately prior to the event requiring adjustment would own as a result of the event. If any such event shall occur, appropriate adjustment shall also be made in the application of the provisions of this Section 14 and Section 15 with respect to Options and the rights of optionees after the event so that the provisions of such Sections shall be applicable after the event and be as nearly equivalent as practicable in operation after the event as they were before the event.

14.3 No Adjustment in Certain Cases. Except as hereinbefore expressly provided, the issue by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, for cash or property or for labor or services, either upon direct sale or upon the exercise of rights or warrants to subscribe therefor, or upon conversion of shares or obligations of the Company convertible into such shares or other securities, shall not affect, and no adjustment by reason thereof shall be made with respect to, the number or price of shares of Common Stock then subject to outstanding options.

14.4 Board Authority to Make Adjustments. Any adjustments under this Section 14 will be made by the Board of Directors, whose determination as to what adjustments, if any, will be made and the extent thereof will be final, binding and conclusive. No fractional shares will be issued under the Plan on account of any such adjustments.

#### 15. Effect of Certain Transactions.

15.1 General. Except as provided in any Option Agreement or Restricted Stock Agreement to the contrary, if the Company is merged with or into or consolidated with another corporation under circumstances where the stockholders of the Company immediately prior to such merger or consolidation do not own after such merger or consolidation shares representing at least fifty percent (50%) of the voting power of the Company or the surviving or resulting corporation, as the case may be, or if shares representing fifty percent (50%) or more

of the voting power of the Company are transferred to an Unrelated Third Party, as hereinafter defined, or if the Company is liquidated, or sells or otherwise disposes of all or substantially all its assets (each such transaction is referred to herein as a “**Change in Control Transaction**”), the Board, or the board of directors of any corporation assuming the obligations of the Company, may, in its discretion, take any one or more of the following actions, as to some or all outstanding Options or Restricted Stock Awards (and need not take the same action as to each such Option or Restricted Stock Award): (i) provide that such Options shall be assumed, or equivalent Options shall be substituted, by the acquiring or succeeding corporation (or an affiliate thereof), *provided* that any such Options substituted for Incentive Stock Options shall meet the requirements of Section 424(a) of the Code, (ii) upon written notice to the optionees, provide that all unexercised Options will terminate immediately prior to the consummation of the Change in Control Transaction unless exercised by the optionee to the extent otherwise then exercisable within a specified period following the date of such notice, (iii) upon written notice to the grantees, provide that all unvested shares of Restricted Stock shall be repurchased at cost, (iv) make or provide for a cash payment to the optionees equal to the difference between (A) the fair market value of the per share consideration (whether cash, securities or other property or any combination of the above) holder of a share of Common Stock will receive upon consummation of the Change in Control Transaction (the “**Per Share Transaction Price**”) times the number of shares of Common Stock subject to outstanding vested Options (to the extent then exercisable at prices not equal to or in excess of the Per Share Transaction Price) and (B) the aggregate exercise price of such outstanding vested Options, in exchange for the termination of such Options, or (v) provide that all or any outstanding Options shall become exercisable and all or any outstanding Restricted Stock Awards shall vest in part or in full immediately prior to such event. To the extent that any Options are exercisable at a price equal to or in excess of the Per Share Transaction Price, the Board may provide that such Options shall terminate immediately upon the consummation of the Change in Control Transaction without any payment being made to the holders of such Options. “**Unrelated Third Party**” shall mean any person who is not, on the date of adoption of this Plan by the Board, a holder of stock of any class or preference or any stock option of the Company.

15.2 Substitute Options. The Company may grant Options in substitution for options held by employees, officers or directors of, or consultants or advisors to, another corporation who become employees, officers or directors of, or consultants or advisors to, the Company, as the result of a merger or consolidation of the employing corporation with the Company or as a result of the acquisition by the Company of property or stock of the employing corporation. The Company may direct that substitute Options be granted on such terms and conditions as the Board considers appropriate in the circumstances.

15.3 Restricted Stock. In the event of a business combination or other transaction of the type detailed in Section 15.1, any securities, cash or other property received in exchange for shares of Restricted Stock shall continue to be governed by the provisions of any Restricted Stock Agreement pursuant to which they were issued, including any provision regarding vesting, and such securities, cash, or other property may be held in escrow on such terms as the Board of Directors may direct, to insure compliance with the terms of any such Restricted Stock Agreement.

16. No Special Employment Rights. Nothing contained in the Plan or in any Option Agreement or Restricted Stock Agreement shall confer upon any optionee or holder of Restricted Stock any right with respect to the continuation of his or her employment by the Company or interfere in any way with the right of the Company at any time to terminate such employment or to increase or decrease his or her compensation.

17. Other Employee Benefits. The amount of any compensation deemed to be received by an employee as a result of the issuance of shares of Restricted Stock or the grant or exercise of an Option or the sale of shares received upon issuance of a Restricted Stock Award or exercise of an Option will not constitute compensation with respect to which any other employee benefits of such employee are determined, including, without limitation, benefits under any bonus, pension, profit-sharing, life insurance or salary continuation plan, except as otherwise specifically determined by the Board of Directors.

18. Amendment of the Plan.

18.1 The Board may at any time, and from time to time, modify or amend in any respect or terminate the Plan. If shareholder approval is not obtained within twelve months after any amendment increasing the number of shares authorized under the Plan or changing the class of persons eligible to receive Options under the Plan, no Options granted pursuant to such amendments shall be deemed to be Incentive Stock Options and no Incentive Stock Options shall be issued pursuant such amendments thereafter.

18.2 The termination or any modification or amendment of the Plan shall not, without the consent of an optionee or the holder of Restricted Stock, adversely affect his or her rights under an Option or Restricted Stock Award previously granted to him or her. With the consent of the recipient of Restricted Stock or optionee affected, the Board may amend outstanding Restricted Stock Agreements or Option Agreements in a manner not inconsistent with the Plan.

19. Withholding. The Company shall have the right to deduct from payments of any kind otherwise due to the optionee or recipient of Restricted Stock, any federal, state or local taxes of any kind required by law to be withheld with respect to issuance of any shares of Restricted Stock or shares issued upon exercise of Options. Prior to delivery of any Common Stock pursuant to the terms of this Plan, the Board has the right to require that the optionee or recipient of Restricted Stock remit to the Company an amount sufficient to satisfy any minimum tax withholding obligation. Subject to the prior approval of the Company, which may be withheld by the Company in its sole discretion, the obligor may elect to satisfy any minimum withholding obligations, in whole or in part, (i) by causing the Company to withhold shares of Common Stock otherwise issuable, or (ii) by delivering to the Company a sufficient number of shares of Common Stock. The shares so withheld shall have a fair market value equal to such minimum withholding obligation. The fair market value of the shares used to satisfy such minimum withholding obligation shall be determined by the Company as of the date that the amount of tax to be withheld is to be determined. A person who has made an election pursuant to this Section 19 may only satisfy his or her withholding obligation with shares of Common Stock which are not subject to any repurchase, forfeiture, unfulfilled vesting or other similar restrictions.

20. Effective Date and Duration of the Plan.

20.1 Effective Date. The Plan shall become effective when adopted by the Board of Directors. If shareholder approval is not obtained within twelve months after the date of the Board's adoption of the Plan, no Options previously granted under the Plan shall be deemed to be Incentive Stock Options and no Incentive Stock Options shall be granted thereafter. Amendments to the Plan not requiring shareholder approval shall become effective when adopted by the Board. Amendments requiring shareholder approval shall become effective when adopted by the Board, but if shareholder approval is not obtained within twelve

months of the Board's adoption of such amendment, any Incentive Stock Options granted pursuant to such amendment shall be deemed to be non-statutory Options *provided* that such Options are authorized by the Plan. Subject to this limitation, Options may be granted under the Plan at any time after the effective date and before the date fixed for termination of the Plan.

20.2 Termination. Unless sooner terminated by action of the Board of Directors, the Plan shall terminate upon the close of business on the day next preceding the tenth anniversary of the date of its adoption by the Board of Directors.

21. Provision for Foreign Participants. The Board of Directors may, without amending the Plan, modify the terms of Option Agreements or Restricted Stock Agreements to differ from those specified in the Plan with respect to participants who are foreign nationals or employed outside the United States to recognize differences in laws, rules, regulations or customs of such foreign jurisdictions with respect to tax, securities, currency, employee benefit or other matters.

22. Requirements of Law. The Company shall not be required to sell or issue any shares under any Option or Restricted Stock Award if the issuance of such shares shall constitute a violation by the optionee, the Restricted Stock Award recipient, or by the Company of any provision of any law or regulation of any governmental authority. In addition, in connection with the Act, the Company shall not be required to issue any shares upon exercise of any Option unless the Company has received evidence satisfactory to it to the effect that the holder of such Option will not transfer such shares except pursuant to a registration statement in effect under the Act or unless an opinion of counsel satisfactory to the Company has been received by the Company to the effect that such registration is not required in connection with any such transfer. Any determination in this connection by the Board shall be final, binding and conclusive. In the event the shares issuable on exercise of an Option are not registered under the Act or under the securities laws of each relevant state or other jurisdiction, the Company may imprint on the certificate(s) appropriate legends that counsel for the Company considers necessary or advisable to comply with the Act or any such state or other securities law. The Company may register, but in no event shall be obligated to register, any securities covered by the Plan pursuant to the Act; and in the event any shares are so registered the Company may remove any legend on certificates representing such shares. The Company shall not be obligated to take any affirmative action in order to cause the exercise of an Option, the grant of any Restricted Stock Award or the issuance of shares pursuant thereto to comply with any law or regulation of any governmental authority.

23. Conversion of Incentive Stock Options into Non-Qualified Options; Termination. The Board of Directors, with the consent of any optionee, may in its discretion take such actions as may be necessary to convert such optionee's Incentive Stock Options (or any installments or portions of installments thereof) that have not been exercised on the date of conversion into non-statutory Options at any time prior to the expiration of such Incentive Stock Options, regardless of whether the optionee is an employee of the Company or a parent or subsidiary of the Company at the time of such conversion. At the time of such conversion, the Board of Directors (with the consent of the optionee) may impose such conditions on the exercise of the resulting non-statutory Options as the Board of Directors in its discretion may determine, *provided* that such conditions not be inconsistent with this Plan. Nothing in this Plan shall be deemed to give any optionee the right to have such optionee's Incentive Stock Options converted into non-statutory Options, and no such conversion shall occur until and unless the Board of Directors takes appropriate action. The Board of Directors, with the consent of the optionee, may also terminate any portion of any Incentive Stock Option that has not been exercised at the time of such termination.

24. Non-Exclusivity of this Plan; Non-Uniform Determinations. Neither the adoption of this Plan by the Board of Directors nor the approval of this Plan by the stockholders of the Company shall be construed as creating any limitations on the power of the Board of Directors to adopt such other incentive arrangements as it may deem desirable, including, without limitation, the granting of stock options otherwise than under this Plan, and such arrangements may be either applicable generally or only in specific cases.

The determinations of the Board of Directors under this Plan need not be uniform and may be made by it selectively among persons who receive or are eligible to receive Options or Restricted Stock Awards under this Plan (whether or not such persons are similarly situated). Without limiting the generality of the foregoing, the Board of Directors shall be entitled, among other things, to make non-uniform and selective determinations, and to enter into non-uniform and selective Option Agreements and Restricted Stock Agreements, as to (a) the persons to receive Options or Restricted Stock Awards under this Plan, (b) the terms and provisions of Options or Restricted Stock Awards, (c) the exercise by the Board of Directors of its discretion in respect of the exercise of Options pursuant to the terms of this Plan, and (d) the treatment of leaves of absence pursuant to Section 10 hereof.

25. Governing Law. This Plan and each Option or Restricted Stock Award shall be governed by the laws of Delaware, without regard to its principles of conflicts of law.

**APPENDIX A**  
**TO SCPHARMACEUTICALS INC. 2014 STOCK INCENTIVE PLAN**  
**FOR CALIFORNIA RESIDENTS ONLY**

This Appendix to the scPharmaceuticals Inc. 2014 Stock Incentive Plan (the “Plan”) shall have application only to participants in the Plan who are residents of the State of California. Capitalized terms contained herein shall have the same meanings given to them in the Plan, unless otherwise provided in this Appendix. **Notwithstanding any provision contained in the Plan to the contrary and to the extent required by applicable law, the following terms and conditions shall apply to all Options and Restricted Stock Awards (collectively “Awards”) granted to residents of the State of California, until such time as the Common Stock becomes subject to registration under the Securities Act of 1933:**

1. Awards shall be nontransferable other than by will or the laws of descent and distribution. Notwithstanding the foregoing, and to the extent permitted by Section 422 of the Code, the Board, in its discretion, may permit distribution of an Award to an inter vivos or testamentary trust in which the Award is to be passed to beneficiaries upon the death of the trustor (settlor), or by gift to “immediate family” as that term is defined in Rule 16a-1(e) of the United States Exchange Act of 1934.

2. Unless employment is terminated for Cause, the right to exercise an Option in the event of termination of employment, to the extent that the optionee is otherwise entitled to exercise an Option on the date employment terminates, shall be

- (a) at least six months from the date of termination of employment if termination was caused by death or permanent disability; and
- (b) at least 30 days from the date of termination if termination of employment was caused by other than death or permanent disability;
- (c) but in no event later than the remaining term of the Option.

3. Any Award exercised before shareholder approval is obtained shall be rescinded if shareholder approval is not obtained within 12 months of the Board’s adoption of the Plan.

## NON-STATUTORY STOCK OPTION

Granted by

scPharmaceuticals Inc. (the "Company")

Under the 2014 Stock Incentive Plan

This Option is and shall be subject in every respect to the provisions of the Company's 2014 Stock Incentive Plan, as amended from time to time (the "Plan"), which is incorporated herein by reference and made a part hereof. The holder of this Option (the "Holder") hereby accepts this Option subject to all the terms and provisions of the Plan and agrees that (a) in the event of any conflict between the terms hereof and those of the Plan, the latter shall prevail, and (b) all decisions under and interpretations of the Plan by the Board or the Committee shall be final, binding and conclusive upon the Holder and his or her heirs and legal representatives.

1. **Name of Holder:**
2. **Date of Grant:**
3. **Vesting Start Date:**
4. **Maximum number of shares for which this Option is exercisable:**
5. **Exercise (purchase) price per share:**
6. **Method of Exercise:** This Option may be exercised by the delivery of written notice to the Company setting forth the number of shares with respect to which the Option is to be exercised, together with payment by one of the following methods:

cash or a personal, certified or bank check or postal money order payable to the order of the Company for an amount equal to the exercise price of the shares being purchased; or

with the consent of the Company, any of the other methods set forth in the Plan.

As an additional condition to exercise of this Option, the Holder shall deliver to the Company an investment letter in form and substance satisfactory to the Company and its counsel. No such investment letter shall be required as a condition to such exercise at any time when there shall be an effective registration statement under the Securities Act of 1933, as amended (the "Act") covering the shares for which this Option may be exercised.



7. **Expiration Date of Option:**
8. **Vesting Schedule:** This Option shall become exercisable for 25% of the maximum number of shares granted on the first anniversary of the Vesting Start Date, and shall become exercisable for an additional 2.0833% of the maximum number of shares granted on the last day of each one month period thereafter; so that the Option shall be fully vested on the fourth anniversary of the Vesting Start Date. All vesting shall cease upon the date of termination of employment or provision of services.
- In addition to the foregoing, upon the Holder's election at any time after the Date of Grant of this Option, the Holder shall be entitled to exercise this Option immediately and in full for the maximum number of shares as set forth herein, whether or not fully vested, provided that, upon such exercise, the Holder shall execute a stock restriction agreement containing a "reverse vesting" schedule effectively equivalent to the Vesting Schedule set forth herein, pursuant to which the Holder agrees to sell back any unvested shares at cost should he or she leave the service of the Company prior to full vesting.
9. **Termination of Employment.** This Option shall terminate on the earliest to occur of:
- (i) the date of expiration thereof;
  - (ii) 30 days after termination of the Holder's employment with or services to the Company by the Company for Cause (as defined in the Plan);
  - (iii) 90 days after the date of voluntary termination of employment or services by the Holder (other than for death or permanent and total disability as defined in the Plan);
  - (iv) 90 days after the date of termination of the Holder's employment with or services to the Company by the Company without Cause (other than for death or permanent and total disability as defined in the Plan); or
  - (v) one year after the "permanent and total disability" (as defined at Section 10 of the Plan) or death of the Holder.
10. **Company's Right of First Refusal.** Prior to the effective date of a registration statement under the Act, any shares of stock issued pursuant to exercise of this Option shall be subject to the Company's right of first refusal as set forth at Appendix A.
11. **Lock-Up Agreement.** The Holder agrees that upon the request of the Company or the managing underwriter(s) of any offering of securities of the Company that is the subject of a registration statement filed under the Act, for a period of time (not to exceed 180 days, plus such additional number of days (not to exceed 35) as may reasonably be requested to enable the underwriter(s) of such offering to comply with Rule 2711(f) of the Financial Industry Regulatory Authority or any amendment or successor thereto) from the effective date of the registration statement under the Act for such offering, the Holder will not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares of Common Stock issued pursuant to the exercise of this Option, without the prior written consent of the Company and such underwriters.

12. **Tax Withholding.** The Company's obligation to deliver shares shall be subject to the Holder's satisfaction of any federal, state and local income and employment tax withholding requirements.

13. **Notice.** Any notice to be given to the Company hereunder shall be deemed sufficient if addressed to the Company and delivered to the office of the Company, scPharmaceuticals Inc., 131 Hartwell Avenue, Lexington, MA 02421, attention of the president, or such other address as the Company may hereafter designate.

Any notice to be given to the Holder hereunder shall be deemed sufficient if addressed to and delivered in person to the Holder at his or her address furnished to the Company or when deposited in the mail, postage prepaid, addressed to the Holder at such address.

IN WITNESS WHEREOF, the parties have executed this Option, or caused this Option to be executed, as of the Date of Grant.

**scPharmaceuticals Inc.**

By: \_\_\_\_\_

The undersigned Holder hereby acknowledges receipt of a copy of the Plan and this Option (including Appendix A hereto), and agrees to the terms of this Option and the Plan.

\_\_\_\_\_  
(Signature of Holder)

\_\_\_\_\_  
(Print Name of Holder)

### Right of First Refusal

**1. General.** Prior to the effective date of a registration statement under the Securities Act of 1933, as amended (the “Act”), covering any shares of the Company’s Common Stock and until such time as the Company shall have effected a public offering of its Common Stock registered under the Act, in the event that, at any time when the Holder (which term for purposes of this section shall mean the Holder and his or her executors, administrators and any other person to whom this Option may be transferred by will or the laws of descent and distribution) is permitted to do so, the Holder desires to sell, assign or otherwise transfer any of the shares issued upon the exercise of this Option, the Holder shall first offer such shares to the Company by giving written notice of the Holder’s desire so to sell, assign or transfer such shares.

**2. Notice of Intended Transfer.** The notice shall state the number of shares offered, the name of the person or persons to whom it is proposed to sell, assign or transfer such shares and the price at which such shares are intended to be sold, assigned or transferred. Such notice shall constitute an offer to the Company for the Company to purchase the number of shares set forth in the notice at a price per share equal to the price stated therein.

**3. Company to Accept or Decline Within 30 Days.** The Company may accept the offer as to all, but not less than all, such shares by notifying the Holder in writing within 30 days after receipt of such notice of its acceptance of the offer. If the offer is accepted, the Company shall have 60 days after such acceptance within which to purchase the offered shares at a price per share as aforesaid. If within the applicable time periods the Holder does not receive notice of the Company’s intention to purchase the offered shares, or if payment in full of the purchase price is not made by the Company, the offer shall be deemed to have been rejected and the Holder may transfer title to such shares within 90 days from the date of the Holder’s written notice to the Company of the Holder’s intention to sell, but such transfer shall be made only to the proposed transferee and at the proposed price as stated in such notice and after compliance with any other provisions of this Option applicable to the transfer of such shares.

**4. Transferred Shares to Remain Subject to Right of First Refusal.** Shares that are so transferred to such transferee shall remain subject to the rights of the Company set forth in this Appendix A. As a condition to such transfer, such transferee shall execute and deliver all such documents as the Company may require to evidence the binding agreement of such transferee so to remain subject to the rights of the Company.

**5. Remedies of Company.** No sale, assignment, pledge or other transfer of any of the shares covered by this Option shall be effective or given effect on the books of the Company unless all of the applicable provisions of this Appendix A have been duly complied with, and the Company may inscribe on the face of any certificate representing any of such shares a legend referring to the provisions of this Appendix A. If any transfer of shares is made or attempted in violation of the foregoing restrictions, or if shares are not offered to the Company as required hereby, the Company shall have the right to purchase such shares from the owner thereof or his transferee at any time before or after the transfer, as herein provided. In addition to

any other legal or equitable remedies which it may have, the Company may enforce its rights by actions for specific performance (to the extent permitted by law) and may refuse to recognize any transferee as one of its stockholders for any purpose, including, without limitation, for purposes of dividend and voting rights, until all applicable provisions hereof have been complied with.

**6. Shares Subject to Right of First Refusal.** For purposes of the Right of First Refusal pursuant to this Appendix A, the term “shares” shall mean any and all new, substituted or additional securities or other property issued to the Holder, by reason of his or her ownership of Common Stock pursuant to the exercise of this Option, in connection with any stock dividend, liquidating dividend, stock split or other change in the character or amount of any of the outstanding securities of the Company, or any consolidation, merger or sale of all or substantially all of the assets of the Company.

**7. Legends on Stock Certificates.** Any certificate representing shares of stock subject to the provisions of this Appendix A may have endorsed thereon one or more legends, substantially as follows:

- (i) “Any disposition of any interest in the securities represented by this certificate is subject to restrictions, and the securities represented by this certificate are subject to certain options, contained in a certain agreement between the record holder hereof and the Company, a copy of which will be mailed to any holder of this certificate without charge upon receipt by the Company of a written request therefor.”
- (ii) “The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any state and may not be pledged, hypothecated, sold or otherwise transferred unless such shares have been registered under the Act or unless the Company has received an opinion of counsel satisfactory to the Company, in form and substance satisfactory to the Company, that such registration is not required.”

**8. Right of First Refusal to Lapse Upon Registration.** The restrictions imposed by this Appendix A shall terminate in all respects upon the effective date of a registration statement under the Act covering any of the Company’s Common Stock.

## INCENTIVE STOCK OPTION

Granted by

scPharmaceuticals Inc. (the "Company")

Under the 2014 Stock Incentive Plan

This Option is and shall be subject in every respect to the provisions of the Company's 2014 Stock Incentive Plan, as amended from time to time (the "Plan"), which is incorporated herein by reference and made a part hereof. The holder of this Option (the "Holder") hereby accepts this Option subject to all the terms and provisions of the Plan and agrees that (a) in the event of any conflict between the terms hereof and those of the Plan, the latter shall prevail, and (b) all decisions under and interpretations of the Plan by the Board or the Committee shall be final, binding and conclusive upon the Holder and his or her heirs and legal representatives.

1. **Name of Holder:**
2. **Date of Grant:**
3. **Vesting Start Date:**
4. **Maximum number of shares for which this Option is exercisable:**
5. **Exercise (purchase) price per share:**
6. **Method of Exercise:** This Option may be exercised by the delivery of written notice to the Company setting forth the number of shares with respect to which the Option is to be exercised, together with payment by one of the following methods:

cash or a personal, certified or bank check or postal money order payable to the order of the Company for an amount equal to the exercise price of the shares being purchased; or

with the consent of the Company, any of the other methods set forth in the Plan.

As an additional condition to exercise of this Option, the Holder shall deliver to the Company an investment letter in form and substance satisfactory to the Company and its counsel. No such investment letter shall be required as a condition to such exercise at any time when there shall be an effective registration statement under the Securities Act of 1933, as amended (the "Act") covering the shares for which this Option may be exercised.

7. **Expiration Date of Option:**

8. **Vesting Schedule:** This Option shall become exercisable for 25% of the maximum number of shares granted on the first anniversary of the Vesting Start Date, and shall become exercisable for an additional 2.0833% of the maximum number of shares granted on the last day of each one month period thereafter; so that the Option shall be fully vested on the fourth anniversary of the Vesting Start Date. All vesting shall cease upon the date of termination of employment.

In addition to the foregoing, upon the Holder's election at any time after the Date of Grant of this Option, the Holder shall be entitled to exercise this Option immediately and in full for the maximum number of shares as set forth herein, whether or not fully vested, provided that, upon such exercise, the Holder shall execute a stock restriction agreement containing a "reverse vesting" schedule effectively equivalent to the Vesting Schedule set forth herein, pursuant to which the Holder agrees to sell back any unvested shares at cost should he or she leave the employ of the Company prior to full vesting. Early exercise of this Option in accordance with the preceding sentence may have adverse tax implications, including the loss of potential tax benefits otherwise available to holders of incentive stock options, and the Holder is advised to consult his or her personal tax advisor prior to making any such election.

9. **Termination of Employment.** This Option shall terminate on the earliest to occur of:
- (i) the date of expiration hereof;
  - (ii) 30 days after termination of the Holder's employment with the Company by the Company for Cause (as defined in the Plan);
  - (iii) 90 days after the date of voluntary termination of employment by the Holder (other than for death or permanent and total disability as defined in the Plan);
  - (iv) 90 days after the date of termination of the Holder's employment with the Company by the Company without Cause (other than for death or permanent and total disability as defined in the Plan); or
  - (v) one year after the "permanent and total disability" (as defined at Section 10 of the Plan) or death of the Holder.
10. **Company's Right of First Refusal.** Prior to the effective date of a registration statement under the Act, any shares of stock issued pursuant to exercise of this Option shall be subject to the Company's right of first refusal as set forth at Appendix A.
11. **Lock-Up Agreement.** The Holder agrees that upon the request of the Company or the managing underwriter(s) of any offering of securities of the Company that is the subject of a registration statement filed under the Act, for a period of time (not to exceed 180 days, plus such additional number of days (not to exceed 35) as may reasonably be requested to enable the underwriter(s) of such offering to comply with Rule 2711(f) of the Financial Industry Regulatory Authority or any amendment or successor thereto) from the effective date of the registration statement under the Act for such offering, the Holder will not sell, make any short sale of, loan, grant any option for the purchase of, or otherwise dispose of any shares of Common Stock issued pursuant to the exercise of this Option, without the prior written consent of the Company and such underwriters.

12. **Incentive Stock Option; Disqualifying Disposition.** Although this Option is intended to qualify as an incentive stock option under the Internal Revenue Code of 1986 (the "Code"), the Company makes no representation as to the tax treatment upon exercise of this Option or sale or other disposition of the shares covered by this Option, and the Holder is advised to consult a personal tax advisor. Upon a Disqualifying Disposition of shares received upon exercise of this Option, the Holder will forfeit the favorable income tax treatment otherwise available with respect to the exercise of this Option. A "Disqualifying Disposition" shall have the meaning specified in Section 421(b) of the Code; as of the date of grant of this Option a Disqualifying Disposition is any disposition (including any sale) of such shares before the later of (a) the second anniversary of the date of grant of this Option and (b) the first anniversary of the date on which the Holder acquired such shares by exercising this Option, *provided* that such holding period requirements terminate upon the death of the Holder. The Holder shall notify the Company in writing immediately upon making a Disqualifying Disposition of any shares of Common Stock received pursuant to the exercise of this Option, and shall provide the Company with any information that the Company shall request concerning any such Disqualifying Disposition.

13. **Notice.** Any notice to be given to the Company hereunder shall be deemed sufficient if addressed to the Company and delivered to the office of the Company, scPharmaceuticals Inc., 131 Hartwell Avenue, Lexington, MA 02421, attention of the president, or such other address as the Company may hereafter designate.

Any notice to be given to the Holder hereunder shall be deemed sufficient if addressed to and delivered in person to the Holder at his or her address furnished to the Company or when deposited in the mail, postage prepaid, addressed to the Holder at such address.

\* \* \* \* \*

IN WITNESS WHEREOF, the parties have executed this Option, or caused this Option to be executed, as of the Date of Grant.

**scPharmaceuticals Inc.**

By: \_\_\_\_\_

The undersigned Holder hereby acknowledges receipt of a copy of the Plan and this Option (including Appendix A hereto), and agrees to the terms of this Option and the Plan.

\_\_\_\_\_  
(Signature of Holder)

\_\_\_\_\_  
(Print Name of Holder)



### Right of First Refusal

**1. General.** Prior to the effective date of a registration statement under the Securities Act of 1933, as amended (the “Act”), covering any shares of the Company’s Common Stock and until such time as the Company shall have effected a public offering of its Common Stock registered under the Act, in the event that, at any time when the Holder (which term for purposes of this section shall mean the Holder and his or her executors, administrators and any other person to whom this Option may be transferred by will or the laws of descent and distribution) is permitted to do so, the Holder desires to sell, assign or otherwise transfer any of the shares issued upon the exercise of this Option, the Holder shall first offer such shares to the Company by giving written notice of the Holder’s desire so to sell, assign or transfer such shares.

**2. Notice of Intended Transfer.** The notice shall state the number of shares offered, the name of the person or persons to whom it is proposed to sell, assign or transfer such shares and the price at which such shares are intended to be sold, assigned or transferred. Such notice shall constitute an offer to the Company for the Company to purchase the number of shares set forth in the notice at a price per share equal to the price stated therein.

**3. Company to Accept or Decline Within 30 Days.** The Company may accept the offer as to all, but not less than all, such shares by notifying the Holder in writing within 30 days after receipt of such notice of its acceptance of the offer. If the offer is accepted, the Company shall have 60 days after such acceptance within which to purchase the offered shares at a price per share as aforesaid. If within the applicable time periods the Holder does not receive notice of the Company’s intention to purchase the offered shares, or if payment in full of the purchase price is not made by the Company, the offer shall be deemed to have been rejected and the Holder may transfer title to such shares within 90 days from the date of the Holder’s written notice to the Company of the Holder’s intention to sell, but such transfer shall be made only to the proposed transferee and at the proposed price as stated in such notice and after compliance with any other provisions of this Option applicable to the transfer of such shares.

**4. Transferred Shares to Remain Subject to Right of First Refusal.** Shares that are so transferred to such transferee shall remain subject to the rights of the Company set forth in this Appendix A. As a condition to such transfer, such transferee shall execute and deliver all such documents as the Company may require to evidence the binding agreement of such transferee so to remain subject to the rights of the Company.

**5. Remedies of Company.** No sale, assignment, pledge or other transfer of any of the shares covered by this Option shall be effective or given effect on the books of the Company unless all of the applicable provisions of this Appendix A have been duly complied with, and the Company may inscribe on the face of any certificate representing any of such shares a legend referring to the provisions of this Appendix A. If any transfer of shares is made or attempted in violation of the foregoing restrictions, or if shares are not offered to the Company

as required hereby, the Company shall have the right to purchase such shares from the owner thereof or his transferee at any time before or after the transfer, as herein provided. In addition to any other legal or equitable remedies which it may have, the Company may enforce its rights by actions for specific performance (to the extent permitted by law) and may refuse to recognize any transferee as one of its stockholders for any purpose, including, without limitation, for purposes of dividend and voting rights, until all applicable provisions hereof have been complied with.

**6. Shares Subject to Right of First Refusal.** For purposes of the Right of First Refusal pursuant to this Appendix A, the term “shares” shall mean any and all new, substituted or additional securities or other property issued to the Holder, by reason of his or her ownership of Common Stock pursuant to the exercise of this Option, in connection with any stock dividend, liquidating dividend, stock split or other change in the character or amount of any of the outstanding securities of the Company, or any consolidation, merger or sale of all or substantially all of the assets of the Company.

**7. Legends on Stock Certificates.** Any certificate representing shares of stock subject to the provisions of this Appendix A may have endorsed thereon one or more legends, substantially as follows:

- (i) “Any disposition of any interest in the securities represented by this certificate is subject to restrictions, and the securities represented by this certificate are subject to certain options, contained in a certain agreement between the record holder hereof and the Company, a copy of which will be mailed to any holder of this certificate without charge upon receipt by the Company of a written request therefor.”
- (ii) “The shares of stock represented by this certificate have not been registered under the Securities Act of 1933 or under the securities laws of any state and may not be pledged, hypothecated, sold or otherwise transferred unless such shares have been registered under the Act or unless the Company has received an opinion of counsel satisfactory to the Company, in form and substance satisfactory to the Company, that such registration is not required.”

**8. Right of First Refusal to Lapse Upon Registration.** The restrictions imposed by this Appendix A shall terminate in all respects upon the effective date of a registration statement under the Act covering any of the Company’s Common Stock.

**THE DISTRICT**

**2400 DISTRICT AVENUE**

**BURLINGTON, MASSACHUSETTS**

**OFFICE LEASE AGREEMENT**

BETWEEN

**NEEP INVESTORS HOLDINGS LLC, a Delaware limited liability company**  
**(“LANDLORD”)**

AND

**SCPHARMACEUTICALS INC., a Delaware corporation**  
**(“TENANT”)**

## OFFICE LEASE AGREEMENT

THIS OFFICE LEASE AGREEMENT (this “Lease”) is made and entered into as of June 2, 2017, by and between **NEEP INVESTORS HOLDINGS LLC, a Delaware limited liability company (“Landlord”)** and **SCPHARMACEUTICALS INC., a Delaware corporation (“Tenant”)**. The following exhibits and attachments are incorporated into and made a part of this Lease: **Exhibit A-1** (Outline and Location of Premises), **Exhibit A-2** (Description of Property), **Exhibit B** (Expenses and Taxes), **Exhibit C** (Work Letter), **Exhibit D** (Commencement Letter), **Exhibit E** (Building Rules and Regulations), and **Exhibit F** (Additional Provisions).

### 1. Basic Lease Information.

1.01 “**Building**” shall mean the building located at 2400 District Avenue, Burlington, Massachusetts 01803. “**Rentable Square Footage of the Building**” is deemed to be 103,184 square feet.

1.02 “**Park**” shall mean the office park in Burlington, Massachusetts containing 10 office buildings and related improvements commonly known as The District, or such other name by which Landlord may hereafter elect to have it referred.

1.03 “**Premises**” shall mean the area shown on **Exhibit A-1** to this Lease. The Premises are located on the third (3<sup>rd</sup>) floor of the Building and known as Suite 310. The “**Rentable Square Footage of the Premises**” is deemed to be **13,066** rentable square feet. Landlord and Tenant stipulate and agree that the Rentable Square Footage of the Building, and the Rentable Square Footage of the Premises are correct. The Premises exclude Common Areas (as defined below). If the Premises include less than the entire rentable area of any floor, then the Premises also exclude the common corridors, elevator lobby and toilets located on such floor.

#### 1.04 “**Base Rent**”:

<u>Months of Term</u>	<u>Annual Rate Per Square Foot</u>	<u>Annual Base Rent</u>	<u>Monthly Base Rent</u>
Months 1-4	\$ 0	\$ 0	\$ 0
Months 5-12*	\$ 31.50*	\$315,000.00*	\$26,250.00*
Months 13-24	\$ 32.50	\$424,645.00	\$35,387.08
Months 25-36	\$ 33.50	\$437,711.00	\$36,475.92
Months 37-48	\$ 34.50	\$450,777.00	\$37,564.75
Months 49-63	\$ 35.50	\$463,843.00	\$38,653.58

\* Notwithstanding the Rentable Square Footage of the Premises, Base Rent during the period from Month 5 through Month 12 shall be calculated as if the Rentable Square Footage of the Premises were only 10,000 rentable square feet; provided however, that if Tenant shall Default under this Lease prior to the end of Month 12, then Base Rent for the remainder of this period shall be calculated based on the actual Rentable Square Footage of the Premises.

1.05 **“Tenant’s Pro Rata Share”**: 12.6628%

**“Base Year”** for Taxes (defined in **Exhibit B**): Fiscal Year (defined below) 2017 (i.e., July 1, 2016 to June 30, 2017); **“Base Year”** for Expenses (defined in **Exhibit B**): calendar year 2017.

For purposes hereof, **“Fiscal Year”** shall mean the Base Year for Taxes and each period of July 1 to June 30 thereafter.

1.06 **“Term”**: The period commencing on the Commencement Date (defined below) and, unless terminated earlier in accordance with this Lease, ending on the last day of the 63<sup>rd</sup> full calendar month following the Commencement Date (the **“Termination Date”**).

1.07 **“Commencement Date”**: The date upon which Landlord delivers possession of the Premises to Tenant with the Landlord Work (as defined below) substantially complete; provided, however, that if Landlord shall be delayed in substantially completing the Landlord Work in the Premises as a result of the occurrence of a Tenant Delay (as defined below), then, for purposes of determining the Commencement Date, the date of substantial completion shall be deemed to be the day that the Landlord Work would have been substantially completed absent any such Tenant Delay.

1.08 **“Target Commencement Date”**: August 24, 2017

1.09 **“Rent Commencement Date”**: The date that is four (4) calendar months following the Commencement Date; provided that if Tenant shall Default under this Lease prior to the Rent Commencement Date, the Rent Commencement Date shall be deemed to be the Commencement Date.

1.10 **“Security Deposit”**: \$182,379.60 in the form of a Letter of Credit as set forth in Section 6 hereof.

1.11 **“Brokers”**: T3 Advisors, who represented Tenant in connection with this transaction, and Cushman and Wakefield, who represented Landlord in connection with this transaction.

1.12 **“Permitted Use”**: General office use and for no other purpose.

1.13 **“Notice Address(es)”**:

Landlord:

NEEP Investors Holdings LLC  
c/o National Development  
2310 Washington Street  
Newton Lower Falls, MA 02462  
Attention: President

With copies of any notices to Landlord  
sent to:

Tenant:

Prior to the Commencement Date:  
ScPharmaceuticals Inc.  
131 Hartwell Avenue, Suite 215  
Lexington, MA 02421  
Attn: Chief Financial Officer

From and after the  
Commencement Date:

National Development  
2310 Washington Street  
Newton Lower Falls, MA 02462  
Attn: Richard P. Schwartz, Esq.

ScPharmaceuticals Inc.  
2400 District Avenue  
Suite 310  
Burlington, MA 01803  
Attn: Chief Financial Officer

1.14 “**Business Day(s)**” are Monday through Friday of each week, exclusive of New Year’s Day, Presidents Day, Memorial Day, Independence Day, Labor Day, Thanksgiving Day and Christmas Day (“**Holidays**”). “**Building Service Hours**” are 8:00 A.M. to 6:00 P.M. on Business Days and 9:00 A.M. to 1:00 P.M. on Saturdays.

1.15 “**Landlord Work**” as defined in Section 3.02 hereof.

1.16 “**Property**” means the Building and the parcel(s) of land on which it is located and, at Landlord’s discretion, the parking facilities and other improvements, if any, serving the Building and the parcel(s) of land on which they are located. The Property is more particularly described on **Exhibit A-2**, attached.

1.17 “**Letter of Credit**” as described in Section 6 hereof.

## 2. Lease Grant.

Landlord hereby leases the Premises to Tenant and Tenant hereby leases the Premises from Landlord. Tenant has the non-exclusive right to use any portions of the Property that are designated by Landlord from time to time for the common use of tenants and others, including without limitation exterior walls, the common stairways and stairwells, and common toilets, entranceways and lobbies, elevators and elevator wells, fan rooms, electric and telephone closets (other than those exclusively serving the Premises, if any), janitor closets, freight elevators and loading areas, and pipes, ducts, conduits, wires and appurtenant fixtures serving other parts of the Property (exclusively or in common) and other common areas and facilities from time to time designated as such by Landlord (the “**Common Areas**”), including, without limitation, parking as set forth in **Exhibit F** attached hereto.

## 3. Condition of Premises; Landlord Work.

3.01 Condition of Premises. Tenant has inspected the Premises and agrees to accept the same in their “as is” condition and configuration without any representations or warranties by Landlord and with no obligation on the part of Landlord to perform any alterations, improvements or additions in, or to, the Premises, other than the Landlord Work (as defined below). By taking possession of the Premises, Tenant agrees that the Premises are in good order and satisfactory condition, subject only to the completion, if applicable, of punch list items as set forth below and Landlord’s correction of any latent defects within one (1) year of substantial completion of the Landlord Work as set forth in Section 3.02. Subject to the terms of Section 3.03 below, Tenant shall not be permitted to take possession of or enter the Premises prior to the Commencement Date without Landlord’s permission.

3.02 Landlord Work. Landlord shall perform the work shown and described on the Premises fit plan attached hereto as **Exhibit C-1** (the “**Plan**”) to prepare the Premises for occupancy by Tenant, in a good and workmanlike manner, and in accordance with the Building Standard Specifications attached hereto as **Exhibit C-2** and applicable Laws (as defined below) (the “**Building Standard Specifications**”) and subject to the terms of the Work Letter attached

hereto as **Exhibit C** (the “**Landlord Work**”), and, subject to Force Majeure (as hereinafter defined), and Tenant Delay shall use commercially reasonable efforts to cause the Commencement Date to occur on about the Target Commencement Date, but without penalty, cost or liability to Landlord in connection with any failure to do so; provide however, that in the event that the Commencement Date has not occurred, for any reason other than a Tenant Delay or Force Majeure delay, on or before (a) the date that is thirty (30) days after the Target Commencement Date, then Tenant shall be entitled to an abatement of Base Rent equal to one (1) day for each day until the Commencement Date occurs beginning on such thirtieth (30<sup>th</sup>) day and continuing until the date that is sixty (60) days after the Target Commencement Date, and, if applicable, (b) the date that is sixty (60) days after the Target Commencement Date, then Tenant shall be entitled to an abatement of Base Rent equal to two (2) days for each day beginning on such sixtieth (60<sup>th</sup>) day and continuing until the Commencement Date occurs. The Landlord Work shall be deemed to be substantially completed (and substantial completion shall be deemed to have occurred) on the later to occur of (i) the date that Landlord reasonably determines that all Landlord Work in such space has been performed (or would have been performed absent any Tenant Delays), other than any details of construction, mechanical adjustment or any other matter, the non-completion of which does not materially interfere with Tenant’s use of the Premises; and (ii) the date Landlord receives from the appropriate governmental authorities, with respect to the Landlord Work performed by Landlord or its contractors in the Premises, all approvals necessary for Tenant’s initial occupancy of the Premises. Tenant’s acceptance of possession of the Premises shall be subject to Landlord’s obligation to complete any aspects of the Landlord Work as may be set forth on a construction punch list prepared by Landlord and Tenant in accordance with the terms hereof. Prior to substantial completion of the Landlord Work in the Premises, but in no event later than five (5) days following notice from Landlord to Tenant requesting to schedule such inspection, Landlord and Tenant shall together conduct an inspection of the space and prepare a “punch list” setting forth any portions of the Landlord Work that are not in conformity with the Landlord Work as required by the terms of this Lease. Notwithstanding the foregoing, at the request of Landlord, such construction punch list shall be mutually prepared by Landlord and Tenant prior to the date on which Tenant first begins to move its furniture, equipment or other personal property into any portion of the Premises (or such later date acceptable to Landlord), if in Landlord’s reasonable determination such activity by Tenant could result in damage to the Premises or the Landlord Work. Landlord, as part of the Landlord Work, shall use diligent and good faith efforts to complete all such items as soon as is reasonably practicable following the preparation of the punch list, and Tenant shall provide access to the Premises for the completion of such work, but in no event more than sixty (60) days following the Commencement Date.

3.03 Early Access to Premises. If Tenant is permitted by Landlord to take possession of the Premises before the Commencement Date, such possession shall be subject to the terms and conditions of the Lease, and Tenant shall pay Base Rent and Additional Rent applicable to the Premises to Landlord for each day of possession prior to the Commencement Date for same. Notwithstanding the foregoing, provided such access does not materially interfere with the performance of the Landlord Work, Tenant shall have access to, and shall not be required to pay Rent for (except for the cost of any building services requested by Tenant during any such period), the Premises during the period that is thirty (30) days prior to the Commencement Date for the sole purpose of installing telephone and data cabling, furniture, fixtures, equipment or other personal property.

3.04 **Commencement Letter.** Promptly following the date on which the Commencement Date has been determined, Landlord and Tenant shall execute and deliver a commencement letter in substantially the form attached hereto as **Exhibit D** (the “**Commencement Letter**”), which Commencement Letter shall memorialize the Commencement Date, Rent Commencement Date, Transaction Costs and Termination Date; provided, however, the failure of either party to execute the Commencement Letter shall not affect the rights of either party hereunder.

#### 4. **Rent.**

4.01 From and after the Commencement Date, Tenant shall pay Landlord, without any setoff or deduction, unless expressly set forth in this Lease, all Base Rent and Additional Rent due for the Term (collectively referred to as “**Rent**”). “**Additional Rent**” means all sums (exclusive of Base Rent) that Tenant is required to pay Landlord under this Lease. Tenant shall pay and be liable for all rental, sales and use taxes (but excluding income taxes), if any, imposed upon or measured by Rent. Base Rent and recurring monthly charges of Additional Rent shall be due and payable in advance on the first day of each calendar month without notice or demand. All other items of Rent shall be due and payable by Tenant on or before thirty (30) days after billing by Landlord. Rent shall be made payable to the entity, and sent to the address, Landlord designates and shall be made by good and sufficient check payable in United States of America currency or by other means designated by Landlord from time to time. If Tenant does not pay any Rent when due hereunder, Tenant shall pay Landlord an administration fee in the amount of \$500.00, provided that Tenant shall be entitled to a grace period of up to five (5) days for the first late payment of Rent in a calendar year; provided, however, Landlord shall waive the administration fee for one (1) late payment in any twelve (12) month period during the Term. In addition, past due Rent shall accrue interest at twelve percent (12%) per annum, and Tenant shall pay Landlord a reasonable fee for any checks returned by Tenant’s bank for any reason. Nothing in this paragraph shall be deemed to waive or condition any claim of Default by Landlord for Tenant’s failure to timely pay Rent, which is governed by Section 18, below. Landlord’s acceptance of less than the correct amount of Rent shall be considered a payment on account of the oldest obligation due from Tenant hereunder, then to any current Rent then due hereunder, notwithstanding any statement to the contrary contained on or accompanying any such payment from Tenant. Rent for any partial month during the Term shall be prorated. No endorsement or statement on a check or letter accompanying payment shall be considered an accord and satisfaction. Tenant’s obligation so to pay Rent under the Lease shall be absolute, unconditional, and independent and shall not be discharged or otherwise affected by any law or regulation now or hereafter applicable to the Premises, or any other restriction on Tenant’s use, or, except as expressly provided in the Lease, any casualty or taking, or any failure by Landlord to perform or other occurrence; and Tenant waives all rights now or hereafter existing to assert any defense in the nature of constructive eviction to any action seeking to recover Rent.

4.02 Tenant shall pay Tenant’s Pro Rata Share of Expense Excess and Tax Excess in accordance with **Exhibit B** of this Lease.

#### 5. **Compliance with Laws; Use.**

The Premises shall be used for the Permitted Use and for no other use whatsoever. Tenant shall comply with all statutes, codes, ordinances, orders, rules and regulations of any municipal or governmental entity whether in effect now or later, including the Americans with Disabilities Act and the rules and regulations of the Massachusetts Architectural Access Board (“**Law(s)**”), regarding the operation of Tenant’s business, the use, condition, configuration and occupancy of the Premises and the Building systems located in or exclusively serving the Premises.



Notwithstanding anything to the contrary contained herein, Tenant shall, at its sole cost and expense, promptly comply with any Laws that relate to the Premises or the “**Base Building**” (defined below), but only to the extent such obligations are triggered by Tenant’s specific use of the Premises, other than for general office use, or Alterations or improvements in the Premises performed or requested by Tenant (other than Landlord Work). “**Base Building**” shall include the structural portions of the Building, the public restrooms and the Building mechanical, electrical and plumbing systems and equipment located in the internal core of the Building on the floor or floors on which the Premises are located. Tenant shall promptly provide Landlord with copies of any notices it receives regarding an alleged violation of Law. Effective as of the Effective Date, Landlord agrees that, to the best of its knowledge, the Base Building (as defined below) and the Base Building systems are in good working order and condition, are in compliance with all Laws, and are fit for their intended purposes. Tenant shall not exceed the standard density limit for the Building. Tenant shall comply with the rules and regulations of the Building attached as **Exhibit E** and such other reasonable rules and regulations adopted by Landlord from time to time, including rules and regulations for the performance of Alterations (defined in Section 9.03). All such changes to rules and regulations will be sent by Landlord to Tenant in writing. In the event of a conflict between the rules and regulations and the terms of this Lease, the terms of this Lease shall control. Landlord shall not knowingly enforce the rules and regulations against Tenant in a discriminatory manner.

## **6. Security Deposit.**

The Security Deposit shall be delivered to Landlord upon the execution of this Lease by Tenant and held by Landlord without liability for interest (unless required by Law) as security for the performance of Tenant’s obligations. The Security Deposit is not an advance payment of Rent or a measure of damages. If Tenant is in Default, Landlord may from time to time and without prejudice to any other remedy provided in this Lease or by Law, use all or a portion of the Security Deposit to the extent necessary to satisfy past due Rent or to satisfy any other loss or damage resulting from Tenant’s Default under this Lease. If Landlord uses any portion of the Security Deposit, Tenant, within 10 days after written demand, shall restore the Security Deposit to its original amount. Landlord shall return any unapplied portion of the Security Deposit to Tenant within forty-five (45) days following the Termination Date or earlier expiration of this Lease. Landlord may assign the Security Deposit to a successor or transferee and, following the assignment, Landlord shall have no further liability for the return of the Security Deposit. Landlord shall not be required to keep the Security Deposit separate from its other accounts.

Notwithstanding anything in this Section 6 to the contrary, Tenant shall satisfy the requirement of delivery of the Security Deposit by the delivery to Landlord of an unconditional and irrevocable letter of credit (“**Letter of Credit**”) in the amount of the Security Deposit set forth in Section 1.10 above, and in a form acceptable to Landlord in its reasonable discretion. The Letter of Credit shall be issued by a bank reasonably satisfactory to Landlord; provided that Landlord hereby approves Silicon Valley Bank as the issuing bank. Tenant shall ensure that at all times after the execution and delivery of this Lease until forty-five (45) days after the Termination Date, as the same may be extended, an unexpired Letter of Credit in the amount of the Security Deposit set forth in Section 1.10 above shall be in the possession of Landlord. The Letter of Credit shall contain a so-called “evergreen” clause providing that the Letter of Credit shall not be canceled unless the issuing bank delivers thirty (30) days’ prior written notice to Landlord. Tenant shall deliver to Landlord, no later than ten (10) days prior to the expiry date of the then outstanding and expiring Letter of Credit (a) a replacement Letter of Credit or (b) cash in the amount then required as the Security Deposit. Landlord shall be entitled to draw on the Letter of Credit (i) if Tenant fails to deliver any replacement Letter of Credit or pay the amount of

the Security Deposit in cash as required, in which event Landlord shall be permitted to retain the entire proceeds of such Letter of Credit for application as the Security Deposit hereunder, (ii) to cure or attempt to cure, in whole or in part, any Default by Tenant under this Lease, in which event Tenant shall replenish the amount so drawn upon demand by Landlord, and (iii) if the credit rating of the long-term debt of the issuer of the Letter of Credit (according to Moody's or similar national rating agency) is downgraded to a grade below investment rate), or if the issuer of the Letter of Credit shall enter into any supervisory agreement with any governmental authority, or if the issuer of the Letter of Credit shall fail to meet any capital requirements imposed by applicable Law, unless Tenant delivers to Landlord a replacement Letter of Credit complying with the terms of this Lease or cash in the amount required as the Security Deposit within ten (10) days after written demand therefor from Landlord. Each Letter of Credit shall be for the benefit of Landlord and its successors and assigns and shall entitle Landlord or its successors or assigns to draw from time to time under the Letter of Credit in portions or in whole upon presentation of a sight draft and statement by Landlord that Landlord is entitled to draw thereunder pursuant to the terms and provisions of this Lease. Landlord shall have an unrestricted right to transfer the Letter of Credit at any time and to any party selected by the Landlord. Tenant shall pay any transfer commission (fee) and all other costs (hereinafter collectively referred to as the "**Transfer Fee**") which may be imposed by the bank issuing the Letter of Credit for the transfer of the Letter of Credit by Landlord. The Tenant's failure to pay the Transfer Fee, which failure continues for ten (10) days following written notice from Landlord of same, shall constitute a Default of this Lease, and Landlord shall have the right to pursue any and all remedies provided Landlord under this Lease, in equity and at law.

## **7. Building Services.**

7.01 Landlord shall furnish Tenant with the following services: (a) hot and cold water for use in the Base Building lavatories and drinking purposes; (b) customary heat and air conditioning in season during Building Service Hours (, although (i) Tenant shall have the right to receive HVAC service during hours other than Building Service Hours by paying Landlord's then standard charge for additional HVAC service and providing such prior notice as is reasonably specified by Landlord (Landlord's current charge for afterhours HVAC is \$60 per hour, subject to change by Landlord from time to time), and (ii) if Tenant is permitted to connect any supplemental HVAC units to the Building's condenser water loop or chilled water line, such permission shall be conditioned upon Landlord having adequate excess capacity from time to time and such connection and use shall be subject to Landlord's reasonable approval and reasonable restrictions imposed by Landlord, and Landlord shall have the right to charge Tenant a connection fee and/or a monthly usage fee, as reasonably determined by Landlord; (c) standard janitorial service on Business Days; (d) unattended elevator service; (e) electricity in accordance with the terms and conditions in Section 7.02; (f) access to the Building for Tenant and its employees 24 hours per day/7 days per week, subject to the terms of this Lease and such protective services or monitoring systems, if any, as Landlord may reasonably impose, including, without limitation, sign-in procedures and/or presentation of identification cards; and (g) subject to Section 26.10, such other services as Landlord reasonably determines are necessary or appropriate for the Property. If Landlord, at Tenant's request, provides any services which are not Landlord's express obligation under this Lease, including, without limitation, any repairs which are Tenant's responsibility pursuant to Section 9 below, Tenant shall pay Landlord, or such other party designated by Landlord, the cost of providing such service plus an administrative charge of ten percent (10%), the same to constitute Additional Rent hereunder.

7.02 Electricity used by Tenant in the Premises shall, at Landlord's option, be paid for by Tenant by a separate, flat-rate charge (except the same may be increased as hereinafter provided in this Section 7.02) payable by Tenant to Landlord monthly with Rent, initially estimated (at the rate of \$1.50 per rentable square foot of the Premises) to be in the amount of \$1,633.25 per month (\$19,599.00 per annum), payable as Additional Rent hereunder. Landlord shall have the right from time to time to reasonably increase such monthly flat-rate amount payable by Tenant hereunder based on actual increases in the cost of electricity (and/or the generation thereof) to Landlord in connection with the Property with no mark up by Landlord. Without the consent of Landlord, Tenant's use of electrical service shall not exceed the Building standard usage of six (6) watts per square foot, as reasonably determined by Landlord, based upon the Building standard electrical design load. Landlord shall have the right to measure electrical usage by commonly accepted methods, including the installation of measuring devices such as submeters and check meters. If it is determined that Tenant is using electricity in such quantities or during such periods as to cause the total cost of Tenant's electrical usage, on a monthly, per-rentable-square-foot basis, to materially exceed that which Landlord reasonably deems to be standard for the Building, Tenant shall pay Landlord Additional Rent for the cost of such excess electrical usage and, if applicable, for the cost of purchasing and installing the measuring device(s).

7.03 Landlord's failure to furnish, or any interruption, diminishment or termination of services due to the application of Laws, the failure of any equipment, the performance of maintenance, repairs, improvements or alterations, utility interruptions or the occurrence of an event of Force Majeure (defined in Section 26.03) (collectively a "**Service Failure**") shall not render Landlord liable to Tenant, constitute a constructive eviction of Tenant, give rise to an abatement of Rent, nor relieve Tenant from the obligation to fulfill any covenant or agreement. Notwithstanding the foregoing, if all or any portion of the Premises is rendered Untenantable (as defined below) solely as a result of the failure of any Essential Service (as defined below) due to Landlord's negligence or willful misconduct and Tenant does not use or occupy the same during said period, then Tenant's obligation pay Base Rent and Additional Rent hereunder shall be abated in proportion to the portion of the Premises rendered Untenantable until the date on which such Untenantability is cured, provided that such abatement shall not commence until the fifth (5th) Business Day after the date on which Tenant delivers written notice to Landlord of the interruption and an opportunity, within such five (5) Business Day period, to cure same. The rate at which Base Rent or Additional Rent may be abated under this Section 7.03 in any one calendar month shall not exceed twenty-five percent (25%) of the Base Rent payable for such calendar month, provided that any amount not permitted to be taken as an abatement as a result of such monthly cap shall be credited against the Base Rent or Additional Rent next thereafter due under this Lease, subject to such monthly cap. In the event that the foregoing monthly cap would have the effect of depriving Tenant of any portion of abatement to which it is otherwise entitled hereunder due to the number of calendar months remaining in the term, the monthly cap may be increased proportionately to the extent necessary to avoid such result.

As used herein, the terms "**Untenantable**" and "**Untenantability**" shall mean that Tenant shall not be reasonably able to use and occupy, or to have access to, the Premises or such applicable portion thereof for the normal conduct of Tenant's business operations without extraordinary and unreasonable measures being required to be taken by Tenant in order to do so. As used herein, the term "**Essential Services**" shall mean, in each case to the extent of Landlord's obligation to provide such service under this Lease, (i) access to the Premises, (ii) HVAC, (iii) use of one (1) or more elevators in the Building, (iv) electricity, (v) parking, (vi) water and (vii) sewer/septic service.

## 8. Leasehold Improvements.

All improvements in and to the Premises, including any Alterations (defined in Section 9.03) (collectively, "**Leasehold Improvements**") shall remain upon the Premises at the end of the Term without compensation to Tenant, provided that Tenant, at its expense, shall remove any Cable (defined in Section 9.01 below). In addition, Landlord, by written notice to Tenant at least thirty (30) days prior to the Termination Date, may require Tenant, at Tenant's expense, to remove any Alterations that, in Landlord's reasonable judgment, are of a nature that would require removal and repair costs that are materially in excess of the removal and repair costs associated with standard office improvements (the Cable and such other items collectively are referred to as "**Required Removables**"). Required Removables shall include, without limitation, internal stairways, raised floors, personal baths and showers, vaults, rolling file systems and structural alterations and modifications; provided, however, in no event shall Tenant be required to remove any of the Landlord Work. The Required Removables shall be removed by Tenant on or prior to the Termination Date. Tenant shall repair damage caused by the installation or removal of Required Removables. If Tenant fails to perform its obligations in a timely manner, Landlord may perform such work at Tenant's expense. Tenant, at the time it requests approval for a proposed Alteration, may request in writing that Landlord advise Tenant whether the Alteration, or any portion thereof, is a Required Removable. Within ten (10) days after receipt of Tenant's request, Landlord shall advise Tenant in writing as to which portions of the alteration or other improvements are Required Removables.

## 9. Repairs and Alterations.

9.01 Tenant shall promptly provide Landlord with notice of any conditions within the Premises that are dangerous or in need of maintenance or repair. Tenant, at its sole cost and expense, shall perform all maintenance and repairs to the Premises that are not Landlord's express responsibility under this Lease, and keep the Premises in good condition and repair, reasonable wear and tear and casualty and condemnation excepted. Tenant's repair and maintenance obligations include, without limitation, repairs to: (a) floor covering; (b) interior partitions; (c) doors; (d) the interior side of demising walls; (e) Alterations (described in Section 9.03); (f) supplemental air conditioning units, kitchens, including hot water heaters, plumbing, and similar facilities exclusively serving Tenant, whether such items are installed by Tenant or are currently existing in the Premises; and (g) electronic, fiber, phone and data cabling and related equipment that is installed by or for the exclusive benefit of Tenant (collectively, "**Cable**"). All repairs and other work performed by Tenant or its contractors, including that involving Cable, shall be subject to the terms of Section 9.03 below. If Tenant fails to make any repairs to the Premises for more than fifteen (15) days after written notice from Landlord (although notice shall not be required in an emergency) within applicable cure periods pursuant to Article 18 hereof, Landlord may make the repairs, and, within thirty (30) days after demand, Tenant shall pay the reasonable cost of the repairs, together with an administrative charge in an amount equal to ten percent (10%) of the cost of the repairs.

9.02 Landlord shall keep and maintain in good repair and working order and perform maintenance upon the: (a) structural elements of the Building; (b) mechanical (including HVAC), electrical, plumbing and fire/life safety systems serving the Building in general; (c) Common Areas; (d) roof of the Building; (e) exterior windows of the Building; and (f) elevators serving the Building. Landlord shall promptly make repairs for which Landlord is responsible.

9.03 Tenant shall not make alterations, repairs, additions or improvements or install any Cable (collectively referred to as “**Alterations**”) without first obtaining the written consent of Landlord in each instance, such consent not to be unreasonably withheld, conditioned or delayed. However, Landlord’s consent shall not be required for any Alteration that satisfies all of the following criteria (a “**Cosmetic Alteration**”): (a) is of a cosmetic nature such as painting, wallpapering, hanging pictures and installing carpeting; (b) is not visible from the exterior of the Premises or Building; (c) will not affect the Base Building (defined in Section 5); and (d) does not require work to be performed inside the walls or above the ceiling of the Premises. Cosmetic Alterations shall be subject to all the other provisions of this Section 9.03. Prior to starting work, Tenant shall furnish Landlord with plans and specifications (which shall be in CAD format if requested by Landlord); names of contractors reasonably acceptable to Landlord (provided that Landlord may designate specific contractors with respect to Base Building and vertical Cable, as may be described more fully below); required permits and approvals; evidence of contractor’s and subcontractor’s insurance in amounts reasonably required by Landlord and naming Landlord and the managing agent for the Building (or any successor(s)) as additional insureds; and any security for performance in amounts reasonably required by Landlord. Landlord may designate specific contractors with respect to oversight, installation, repair, connection to, and removal of vertical Cable. All Cable shall be clearly marked with adhesive plastic labels (or plastic tags attached to such Cable with wire) to show Tenant’s name, suite number, and the purpose of such Cable (i) every six (6) feet outside the Premises (specifically including, but not limited to, the electrical room risers and any Common Areas), and (ii) at the termination point(s) of such Cable. Changes to the plans and specifications must also be submitted to Landlord for its approval. Alterations shall be constructed in a good and workmanlike manner using materials of a quality reasonably approved by Landlord, and Tenant shall ensure that no Alteration impairs any Building system or Landlord’s ability to perform its obligations hereunder. Tenant shall reimburse Landlord for any sums paid by Landlord for third party examination of Tenant’s plans for non-Cosmetic Alterations. Upon completion, Tenant shall furnish “as-built” plans (in CAD format, if requested by Landlord) for non-Cosmetic Alterations, completion affidavits and full and final waivers of lien. In addition, Tenant shall pay Landlord a fee for Landlord’s oversight and coordination of any non-Cosmetic Alterations equal to ten percent (10%) of the cost of the non-Cosmetic Alterations. Landlord’s approval of an Alteration shall not be deemed a representation by Landlord that the Alteration complies with Law.

Landlord agrees not to withhold or delay its consent unreasonably to any Alterations that (i) do not affect base Building systems or the structure of the Building, (ii) are not visible from the outside the Premises, and (iii) would not materially detract from the aesthetic integrity of the Building or its design. Landlord shall not be deemed to have acted unreasonably if it withholds its consent because, in Landlord’s opinion, such work: could affect the safety of the Building or its occupants; would increase Landlord’s cost of repairs, insurance or furnishing services or otherwise adversely affect Landlord’s ability to efficiently operate the Building or furnish services to Tenant or other tenants; involves toxic or hazardous materials; could be costly or hazardous to remove or demolish; requires entry into another tenant’s premises or use of public areas; or is prohibited by any mortgage on the Building. The foregoing reasons, however, shall not be exclusive of the reasons for which Landlord may withhold consent, whether or not such other reasons are similar or dissimilar to the foregoing.

Subject to the foregoing provisions of this Section 9, including, without limitation, Landlord’s prior written approval of all plans and specifications and Tenant’s contractor, Tenant may, at Tenant’s sole cost and expense, install in the Premises a security card access system compatible with the Building’s security card access system. Tenant shall provide Landlord with access cards or codes necessary for access to the Premises by Landlord in connection with the performance of its obligations and/or the exercise of its rights under this Lease.

## **10. Entry by Landlord.**

Landlord may enter the Premises to inspect, show or clean the Premises or to perform or facilitate the performance of repairs, alterations or additions to the Premises or any portion of the Building. Except in emergencies or to provide Building services, Landlord shall provide Tenant with reasonable prior written notice (which in such cases may be by email) of entry and shall use reasonable efforts to minimize any interference with Tenant's use of the Premises. If reasonably necessary, Landlord may temporarily close all or a portion of the Premises to perform repairs, alterations and additions. However, except in emergencies, Landlord will not close the Premises if the work can reasonably be completed on weekends and after Building Service Hours. Entry by Landlord in accordance with this Section shall not constitute a constructive eviction or entitle Tenant to an abatement or reduction of Rent.

## **11. Assignment and Subletting.**

11.01 Except in connection with a Business Transfer (defined in Section 11.04), Tenant shall not assign, sublease, transfer or encumber any interest in this Lease or allow any third party to use any portion of the Premises (collectively or individually, a "**Transfer**") without the prior written consent of Landlord. Landlord shall not unreasonably withhold, condition or delay its consent to any assignment of this Lease if Landlord does not exercise its recapture rights under Section 11.02. Without limitation, it is agreed that Landlord's consent to any assignment or sublet shall not be considered unreasonably withheld if the proposed transferee is a governmental entity or an occupant of the Building or an occupant of any other buildings within the same project or if the proposed transferee, whether or not an occupant of the Building or an occupant of any other buildings within the same project, is, or has been within the last six (6) months, in discussions with Landlord or any affiliate of Landlord regarding the leasing of space within the Building or within any other buildings within the Park, but only to the extent Landlord has similar space currently available for lease. Without limiting the foregoing, a Transfer shall be deemed to include any change in control in at least fifty percent (50%) of the voting rights/shares of Tenant (other than through a change in the ownership of voting securities listed on a recognized public securities exchange). Any Transfer in violation of this Section shall, at Landlord's option, be deemed a Default by Tenant as described in Section 18, and shall be voidable by Landlord. In no event shall any Transfer, including a Business Transfer, release or relieve Tenant from any obligation under this Lease, and Tenant shall remain primarily liable for the performance of the tenant's obligations under this Lease, as amended from time to time. Without otherwise limiting the criteria upon which Landlord may withhold its consent, Landlord shall be entitled to consider all reasonable criteria including, but not limited to, the following: (1) whether or not the proposed transferee is engaged in a business which, and the use of the Premises for the Permitted Use, (2) whether the use to be made of the Premises by the proposed transferee will conflict with any so-called "exclusive" use then in favor of any other tenant of the Building or the Park (Landlord hereby confirming that, as of the Effective Date, there are no such exclusives that affect the Permitted Use), and whether such use would be prohibited by any other portion of this Lease, including, but not limited to, any rules and regulations then in effect, or under applicable Laws, and whether such use imposes a greater load upon the Premises and the Building and the Park services than imposed by Tenant, (3), and (3) the creditworthiness and financial stability of the proposed transferee in light of the responsibilities involved.

11.02 Tenant shall provide Landlord with financial statements for the proposed transferee (or, in the case of a change of ownership or control, for the proposed new controlling entity(ies)), a fully executed copy of the proposed assignment or sublease (or, where applicable, other Transfer) documentation and such other information as Landlord may reasonably request. Within fifteen (15) days after receipt of the required information and documentation, Landlord shall either: (a) consent to any assignment or sublet by execution of a consent agreement in a form reasonably designated by Landlord; (b) reasonably refuse to consent to any assignment or sublet in writing; or (c) in the event of an assignment of this Lease or subletting of more than fifty percent (50%) of the Rentable Square Footage of the Premises for the then remaining Term (excluding unexercised options), recapture the portion of the Premises that Tenant is proposing to assign or sublet. If Landlord exercises its right to recapture, this Lease shall automatically be amended (or terminated if the entire Premises is being assigned or sublet) to delete the applicable portion of the Premises effective on the proposed effective date of the Transfer, although Landlord may require Tenant to execute a reasonable amendment or other document reflecting such reduction or termination. Tenant shall pay Landlord a review fee of up to \$1,500.00 for Landlord's out of pocket costs in connection with Landlord's review of any requested Transfer, whether or not Landlord approves same.

11.03 Tenant shall pay Landlord fifty percent (50%) of all rent and other consideration which Tenant receives as a result of a Transfer that is in excess of the Rent payable to Landlord for the portion of the Premises and Term covered by the Transfer. Tenant shall pay Landlord for Landlord's share of the excess within thirty (30) days after Tenant's receipt of the excess. In determining the excess due Landlord, Tenant may deduct from the excess, on a straight-line basis, all reasonable and customary expenses directly incurred by Tenant attributable to the Transfer. If Tenant is in Default, Landlord may require that all sublease payments be made directly to Landlord, in which case Tenant shall receive a credit against Rent in the amount of Tenant's share of payments received by Landlord. In no event shall Tenant be permitted to enter into any sublease or assignment that would result in the characterization of any amounts received by Landlord pursuant to this Section 11.03 as amounts that are not rents from real property as provided under Section 26.13, below.

11.04 Subject to Section 26.13, Tenant may assign this Lease to a successor to Tenant by merger, consolidation, corporate reorganization or the purchase of substantially all of Tenant's assets, or assign this Lease or sublet all or a portion of the Premises to an Affiliate (defined below), without the consent of Landlord, provided that all of the following conditions are satisfied (a "**Business Transfer**"): (a) Tenant must not be in Default; (b) Tenant must give Landlord written notice at least fifteen (15) days before such Transfer; and (c) except in the case of an assignment or sublease to an Affiliate, the Credit Requirement (defined below) must be satisfied. Tenant's notice to Landlord shall include information and documentation evidencing the Business Transfer and showing that each of the above conditions has been satisfied. If requested by Landlord, Tenant's successor shall sign and deliver to Landlord a commercially reasonable form of assumption agreement. "**Affiliate**" shall mean an entity controlled by, controlling or under common control with Tenant. The "**Credit Requirement**" shall be deemed satisfied if, following the date of the Business Transfer, the financial strength of the resulting Tenant is not less than that of Tenant on the date that the series of events culminating in the applicable Transfer occurred or at the execution of this Lease, whichever is greater, as reasonably determined by Landlord (x) based on credit ratings of such entity and Tenant by both Moody's and Standard & Poor's (or by either such agency alone, if applicable ratings by the other agency do not exist), or (y) if such credit ratings do not exist, then in accordance with Moody's KMV RiskCalc (i.e., the on-line software tool offered by Moody's for analyzing credit risk) based on CFO-certified financial statements for such entity and Tenant covering their last two fiscal years ending before the Transfer.

11.05 Notwithstanding anything to the contrary contained in this Section 11, neither Tenant nor any other person having a right to possess, use, or occupy (for convenience, collectively referred to in this subsection as “Use”) the Premises shall enter into any lease, sublease, license, concession or other agreement for Use of all or any portion of the Premises which provides for rental or other payment for such Use based, in whole or in part, on the net income or profits derived by any person that leases, possesses, uses, or occupies all or any portion of the Premises (other than an amount based on a fixed percentage or percentages of receipts or sales), and any such purported lease, sublease, license, concession or other agreement shall be absolutely void and ineffective as a transfer of any right or interest in the Use of all or any part of the Premises.

## 12. Liens.

Tenant shall not permit mechanics’ or other liens to be placed upon the Property, Premises or Tenant’s leasehold interest in connection with any work or service done or purportedly done by or for the benefit of Tenant or its subtenants or transferees. Tenant shall give Landlord notice at least fifteen (15) days prior to the commencement of any work in the Premises to afford Landlord the opportunity, where applicable, to post and record notices of non-responsibility. Tenant, within fifteen (15) days of written notice of any such liens, shall fully discharge any lien by settlement, by bonding or by insuring over the lien in the manner prescribed by the applicable lien Law and, if Tenant fails to do so, Tenant shall be deemed in Default under this Lease and, in addition to any other remedies available to Landlord as a result of such Default by Tenant, Landlord, at its option, may bond, insure over or otherwise discharge the lien. Tenant shall reimburse Landlord for any amount paid by Landlord, including, without limitation, reasonable attorneys’ fees. Landlord shall have the right to require Tenant to post a performance or payment bond in connection with any work or service done or purportedly done by or for the benefit of Tenant. Tenant acknowledges and agrees that all such work or service is being performed for the sole benefit of Tenant and not for the benefit of Landlord.

## 13. Indemnity and Waiver of Claims.

13.01 Except to the extent caused by the negligence or willful misconduct of Landlord or any Landlord Related Parties (defined below), Tenant shall indemnify, defend and hold Landlord and Landlord Related Parties harmless against and from all liabilities, obligations, damages, penalties, claims, actions, costs, charges and expenses, including, without limitation, reasonable attorneys’ fees and other professional fees (if and to the extent permitted by Law) (collectively referred to as “Losses”), which may be imposed upon, incurred by or asserted against Landlord or any of the Landlord Related Parties by any third party and arising out of or in connection with any damage or injury occurring in the Premises or any acts or omission (including violations of Law) of Tenant, its trustees, managers, members, principals, beneficiaries, partners, officers, directors, employees and agents (the “**Tenant Related Parties**”) or any of Tenant’s transferees, contractors or licensees, in or about the Premises, the Building or the Park. To the extent permitted pursuant to applicable Laws, Tenant hereby waives all claims against and releases Landlord and its trustees, managers, members, principals, beneficiaries, partners, officers, directors, employees, Mortgagees (defined in Section 23) and agents (the “**Landlord Related Parties**”) from and against all claims, losses, cost, damages, any liability or expense of whatever nature arising from injury, loss, accident or damage to any person or property, arising from or claimed to have arisen (a) from any accident,



injury or damage whatsoever to any person, or to the property of any person, occurring in the Premises; (b) from the omission, fault, willful act, negligence or other misconduct of Tenant or Tenant's agents, employees, contractors, licensees or invitees, (c) in connection with Tenant's use of the Premises or any business conducted therein or any work done or condition created in the Premises by Tenant, its agent, employees or contractors, or anyone claiming by, through or under Tenant, (d) the failure of Tenant to perform and discharge its covenants and obligations under this Lease and, in any case, occurring after the Commencement Date (or such earlier date as of which Tenant takes possession of the Premises) until the expiration of the Term of this Lease and thereafter so long as Tenant is in occupancy of any part of the Premises, (e) Force Majeure, (f) acts of third parties, (g) the bursting or leaking of any tank, water closet, drain or other pipe, (h) the inadequacy or failure of any security or protective services, personnel or equipment, or (i) any matter not within the reasonable control of Landlord.

13.02 Landlord agrees to indemnify, defend and hold the Tenant and the Tenant Related Parties harmless against and from all Losses to a person or property which may be imposed upon, incurred by or asserted against the Tenant, or any of the Tenant Related Parties, by any third party arising out of, or in connection with, any property damage or personal injury occurring at the Property, the Building, the Base Building or the Park, to the extent caused by (a) the negligent act or omission of the Landlord or Landlord Related Parties, or (b) the intentional or willful misconduct of the Landlord or Landlord Related Parties.

#### 14. Tenant's Insurance.

14.01 Tenant shall maintain the following coverages in the following amounts:

(a) Commercial General Liability Insurance covering claims of bodily injury, personal injury and property damage arising out of Tenant's operations and contractual liabilities, including coverage formerly known as broad form, on an occurrence basis, with minimum primary limits of \$1,000,000 each occurrence and \$2,000,000 annual aggregate (and not more than \$25,000 self-insured retention) and a minimum excess/umbrella limit of \$3,000,000.

(b) Property insurance covering (i) all office furniture, business and trade fixtures, office equipment, free-standing cabinet work, movable partitions, merchandise and all other items of Tenant's property in the Premises installed by, for, or at the expense of Tenant ("**Tenant's Property**"), and (ii) any Leasehold Improvements installed by or for the benefit of Tenant, whether pursuant to this Lease or pursuant to any prior lease or other agreement to which Tenant was a party ("**Tenant-Insured Improvements**"). Such insurance shall be written on a special cause of loss form for physical loss or damage, for the full replacement cost value (subject to reasonable deductible amounts) without deduction for depreciation of the covered items and in amounts that meet any co-insurance clauses of the policies of insurance, and shall include coverage for damage or other loss caused by fire or other peril, including vandalism and malicious mischief, theft, water damage of any type, including sprinkler leakage, bursting or stoppage of pipes, and explosion, and providing business interruption coverage for a period of one year.

(c) Worker's Compensation and Employer's Liability or other similar insurance to the extent required by Law.

14.02 **Form of Policies.** The minimum limits of insurance required to be carried by Tenant shall not limit Tenant's liability. Such insurance shall (i) be issued by an insurance company that has an A.M. Best rating of not less than A-VIII; (ii) be in form and content reasonably acceptable to Landlord; and (iii) provide that it shall not be canceled or materially changed without thirty (30) days' prior notice to Landlord (if commercially available, and otherwise such notice of cancellation or change shall be timely given by Tenant), except that ten (10) days' prior notice may be given in the case of nonpayment of premiums. Tenant's Commercial General Liability Insurance shall (a) name Landlord, Landlord's managing agent, and any other party designated by Landlord ("**Additional Insured Parties**") as additional insureds; and (b) be primary insurance as to all claims thereunder and provide that any insurance carried by Landlord is excess and non-contributing with Tenant's insurance. Landlord shall be designated as a loss payee with respect to Tenant's Property insurance on any Tenant-Insured Improvements. Tenant shall deliver to Landlord, on or before the Commencement Date and at least fifteen (15) days before the expiration dates thereof, certificates from Tenant's insurance company on the forms currently designated "**ACORD 28**" (Evidence of Commercial Property Insurance) and "**ACORD 25-S**" (Certificate of Liability Insurance) or the equivalent. Attached to the ACORD 25-S (or equivalent) there shall be an endorsement naming the Additional Insured Parties as additional insureds which shall be binding on Tenant's insurance company and Tenant or Tenant's insurance agent shall notify each Additional Insured Party in writing at least thirty (30) days before any termination or material change to the policies (if commercially available, and otherwise such notice of cancellation or change shall be timely given by Tenant), except that ten (10) days' prior notice may be given in the case of nonpayment of premiums. If excess/umbrella insurance is provided, any such certificate shall evidence coverage specifically with respect to the Property and the amount of coverage allocated thereto in compliance with Section 14.01 hereof.

14.03 Tenant shall maintain such increased amounts of the insurance required to be carried by Tenant under this Section 14, and such other types and amounts of insurance covering the Premises and Tenant's operations therein, as may be reasonably requested by Landlord, but not in excess of the amounts and types of insurance then being required by landlords of buildings comparable to and in the vicinity of the Building.

14.04 Landlord shall be responsible for obtaining and maintaining insurance covering the Property, the Building and the Park in such coverage types and amounts as a reasonably prudent Landlord of similar property in the Burlington area would maintain on the Property, the Building, and the Park.

## **15. Subrogation.**

Insofar as, and to the extent that, the following provision shall not make it impossible to secure insurance coverage obtainable from responsible insurance companies doing business in the locality in which the Property is located (even though extra premium may result therefrom), Landlord and Tenant mutually agree that any property damage insurance carried by either shall provide for the waiver by the insurance carrier of any right of subrogation against the other, and they further mutually agree that, with respect to any damage to property, the loss from which is covered by insurance then being carried by them (or the property insurance which they are obligated to carry under this Lease, whether or not actually carried), respectively, the one carrying such insurance and suffering such loss waives and releases the other of and from any and all claims with respect to such loss to the extent of the insurance proceeds paid with respect thereto.

## 16. Casualty Damage.

16.01 If all or any portion of the Premises becomes untenantable or inaccessible by fire or other casualty to the Premises or the Common Areas (collectively a “**Casualty**”), Landlord, with reasonable promptness, shall cause a general contractor selected by Landlord to provide Landlord with a written estimate of the amount of time required, using standard working methods, to substantially complete the repair and restoration of the Premises and any Common Areas necessary to provide access to the Premises (“**Completion Estimate**”). Landlord shall promptly forward a copy of the Completion Estimate to Tenant. If the Completion Estimate indicates that the Premises or any Common Areas necessary to provide access to the Premises cannot be made tenantable within one hundred eighty (180) days from the date the repair is started, then either party shall have the right to terminate this Lease upon written notice to the other within ten (10) days after Tenant’s receipt of the Completion Estimate. Tenant, however, shall not have the right to terminate this Lease if the Casualty was caused by the gross negligence or intentional misconduct of Tenant or any Tenant Related Parties. In addition, Landlord, by notice to Tenant within ninety (90) days after the date of the Casualty, shall have the right to terminate this Lease if: (1) the Premises have been materially damaged and there is less than two (2) years of the Term remaining on the date of the Casualty; (2) any Mortgagee requires that the insurance proceeds be applied to the payment of the mortgage debt; or (3) a material uninsured loss to the Building or Premises occurs.

16.02 If this Lease is not terminated, Landlord shall promptly and diligently, subject to reasonable delays for insurance adjustment or other matters beyond Landlord’s reasonable control, restore the Premises and Common Areas. Such restoration shall be to substantially the same condition that existed prior to the Casualty, except for modifications required by Law or any other modifications to the Common Areas deemed desirable by Landlord. Notwithstanding Section 15, upon notice from Landlord, Tenant shall assign or endorse over to Landlord (or to any party designated by Landlord) all property insurance proceeds payable to Tenant under Tenant’s insurance with respect to any Leasehold Improvements performed by or for the benefit of Tenant; provided if the estimated cost to repair such Leasehold Improvements exceeds the amount of insurance proceeds received by Landlord from Tenant’s insurance carrier, the excess cost of such repairs shall be paid by Tenant to Landlord prior to Landlord’s commencement of repairs. Within fifteen (15) days of demand, Tenant shall also pay Landlord for any additional excess costs that are determined during the performance of the repairs to such Leasehold Improvements. In no event shall Landlord be required to spend more for the restoration of the Premises and Common Areas than the proceeds received by Landlord, whether insurance proceeds or proceeds from Tenant. If following any such casualty, the Premises or Tenant’s access thereto have not been restored to the condition required hereunder by the later to occur of (a) the aforementioned one hundred eighty (180) day period or (b) the date that is thirty (30) days following the target completion date set forth in the Completion Estimate, then Tenant shall have the right to terminate this Lease upon thirty (30) days’ written notice to Landlord, provided that such notice shall be rendered null and void and of no effect if Landlord substantially completes the restoration within the thirty (30) day period following Tenant’s notice. Landlord shall not be liable for any inconvenience to Tenant, or injury to Tenant’s business resulting in any way from the Casualty or the repair thereof. Provided that Tenant is not in Default, during any period of time that all or any portion of the Premises is rendered untenantable as a result of a Casualty, the Rent shall abate for the portion of the Premises that is untenantable and not used by Tenant.

## 17. Condemnation.

Either party may terminate this Lease if any material part of the Premises is taken or condemned for any public or quasi-public use under Law, by eminent domain or private purchase in lieu thereof (a “**Taking**”). Landlord shall also have the right to terminate this Lease if there is a Taking of any portion of the Building or Property which would have a material adverse effect on Landlord’s ability to profitably operate the remainder of the Building. The terminating party shall provide written notice of termination to the other party within forty-five (45) days after it first receives notice of the Taking. The termination shall be effective as of the effective date of any order granting possession to, or vesting legal title in, the condemning authority. If this Lease is not terminated, Base Rent and Tenant’s Pro Rata Share shall be appropriately adjusted to account for any reduction in the square footage of the Building or Premises. All compensation awarded for a Taking shall be the property of Landlord. The right to receive compensation or proceeds is expressly waived by Tenant, provided, however, Tenant may file a separate claim for Tenant’s Property and Tenant’s reasonable relocation expenses, provided the filing of the claim does not diminish the amount of Landlord’s award. If only a part of the Premises is subject to a Taking and this Lease is not terminated, Landlord, with reasonable diligence, will restore the remaining portion of the Premises as nearly as practicable to the condition immediately prior to the Taking. In no event shall Landlord be required to spend more for the restoration of the Premises, Building or Property than the proceeds received by Landlord in connection with the applicable Taking.

## 18. Events of Default.

In addition to any other default specifically described in this Lease, each of the following occurrences shall be a “**Default**”: (a) Tenant’s failure to pay any portion of Rent when due; provided, however, such failure to pay Rent when due shall not constitute a Default unless and until Tenant fails to cure any failure to pay Rent within five (5) days following Landlord’s written notice to Tenant of such late payment (“**Monetary Default**”), provided that Landlord shall not be required to provide more than two (2) written notices to Tenant of any failure to pay Rent in any twelve (12) month period, and, at Landlord’s option, any additional failures during such 12-month period shall constitute an immediate Monetary Default without notice; (b) Tenant’s failure (other than a Monetary Default or a default for which a shorter cure period is expressly provided herein) to comply with any term, provision, condition or covenant of this Lease, if the failure is not cured within thirty (30) days after written notice to Tenant provided, however, if Tenant’s failure to comply cannot reasonably be cured within thirty (30) days, Tenant shall be allowed additional time (not to exceed sixty (60) days) as is reasonably necessary to cure the failure so long as Tenant begins the cure within ten (10) days and diligently pursues the cure to completion; (c) Tenant permits a Transfer without Landlord’s required approval or otherwise in violation of Section 11 of this Lease; or (d) Tenant or any Guarantor becomes insolvent, makes a transfer in fraud of creditors, makes an assignment for the benefit of creditors, admits in writing its inability to pay its debts when due or forfeits or loses its right to conduct business; (e) the leasehold estate is taken by process or operation of Law. All notices sent under this Section shall be in satisfaction of, and not in addition to, notice required by Law.

## 19. Remedies.

19.01 Upon Default, Landlord shall have the right to pursue any one or more of the following remedies:

(a) Terminate this Lease by no less than two (2) days' prior written notice delivered to Tenant, in which case Tenant shall immediately surrender the Premises to Landlord. If Tenant fails to surrender the Premises, Landlord, in compliance with Law, may enter upon and take possession of the Premises and remove Tenant, Tenant's Property and any party occupying the Premises. Tenant shall pay Landlord, on demand, all past due Rent and other losses and damages Landlord suffers as a result of Tenant's Default, including, without limitation, all Costs of Reletting (defined below) and any deficiency that may arise from reletting or the failure to relet the Premises. "**Costs of Reletting**" shall include all reasonable out of pocket costs and expenses incurred by Landlord in reletting or attempting to relet the Premises, including, without limitation, legal fees and expenses, brokerage commissions, the cost of alterations and the value of other concessions or allowances granted to a new tenant.

(b) Terminate Tenant's right to possession of the Premises and, in compliance with Law, remove Tenant, Tenant's Property and any parties occupying the Premises. Landlord may (but shall not be obligated to) relet all or any part of the Premises, without notice to Tenant, for such period of time and on such terms and conditions (which may include concessions, free rent and work allowances) as Landlord in its absolute discretion shall determine. Landlord may collect and receive all rents and other income from the reletting. Tenant shall pay Landlord on demand all past due Rent, all Costs of Reletting and any deficiency arising from the reletting or failure to relet the Premises. The re-entry or taking of possession of the Premises shall not be construed as an election by Landlord to terminate this Lease.

19.02 In lieu of calculating damages under Section 19.01, Landlord may elect to receive as damages the sum of (a) all Rent accrued through the date of termination of this Lease or Tenant's right to possession, and (b) an amount equal to the total Rent that Tenant would have been required to pay for the remainder of the Term discounted to present value at the Prime Rate (defined below) then in effect, minus the then present fair rental value of the Premises for the remainder of the Term as determined by Landlord, similarly discounted, after deducting all anticipated Costs of Reletting. "**Prime Rate**" shall be the per annum interest rate publicly announced as its prime or base rate by a federally insured bank selected by Landlord in the state in which the Building is located.

19.03 If Tenant is in Default of any of its non-monetary obligations under this Lease, Landlord shall have the right to perform such obligations. Tenant shall reimburse Landlord for the cost of such performance upon demand together with an administrative charge equal to five percent (5%) of the cost of the work performed by Landlord. The repossession or re-entering of all or any part of the Premises shall not relieve Tenant of its liabilities and obligations under this Lease. No right or remedy of Landlord shall be exclusive of any other right or remedy. Each right and remedy shall be cumulative and in addition to any other right and remedy now or subsequently available to Landlord at Law or in equity.

## 20. Limitation of Liability.

NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN THIS LEASE, THE LIABILITY OF LANDLORD (AND OF ANY SUCCESSOR LANDLORD) SHALL BE LIMITED TO LANDLORD'S INTEREST IN THE PROPERTY. TENANT SHALL LOOK SOLELY TO LANDLORD'S INTEREST IN THE PROPERTY FOR THE RECOVERY OF ANY JUDGMENT OR AWARD AGAINST LANDLORD UNDER THIS LEASE, AND IN NO EVENT SHALL ANY LANDLORD RELATED PARTIES (EXCLUDING LANDLORD) HAVE ANY LIABILITY TO TENANT OR ANY OTHER PARTY FOR ANY ACTION OR OMISSION OF LANDLORD

HEREUNDER. IN NO EVENT SHALL EITHER PARTY BE PERSONALLY LIABLE FOR ANY JUDGMENT OR DEFICIENCY UNDER THIS LEASE, NOR, EXCEPT AS EXPRESSLY SET FORTH HEREIN WITH RESPECT TO TENANT ONLY, SHALL EITHER PARTY BE LIABLE TO THE OTHER FOR ANY LOST PROFIT, DAMAGE TO OR LOSS OF BUSINESS OR ANY FORM OF SPECIAL, PUNITIVE, INDIRECT OR CONSEQUENTIAL DAMAGE. BEFORE FILING SUIT FOR AN ALLEGED DEFAULT BY LANDLORD, TENANT SHALL GIVE LANDLORD AND THE MORTGAGEE(S) WHOM TENANT HAS BEEN NOTIFIED HOLD MORTGAGES (DEFINED IN SECTION 23 BELOW), NOTICE AND REASONABLE TIME TO CURE THE ALLEGED DEFAULT. WITHOUT LIMITING THE FOREGOING, IN NO EVENT SHALL LANDLORD OR ANY MORTGAGEES OR LANDLORD RELATED PARTIES EVER BE LIABLE FOR ANY CONSEQUENTIAL OR INCIDENTAL DAMAGES OR ANY LOST PROFITS OF TENANT.

**21. Relocation.** Landlord, at its expense, shall have the one-time right exercisable at any time before or during the Term upon one hundred twenty (120) days' prior written notice to Tenant, to relocate Tenant from the Premises to alternative space within the Park of reasonably comparable size, quality and utility ("**Relocation Space**"). Landlord shall use commercially reasonable efforts to accomplish as much of any such relocation as is reasonably practicable during non-business hours, so as to minimize unnecessary interruption to the business of the Tenant. Specifically, it is agreed that any such move shall be a so-called "white glove" move, with Tenant's employees being responsible only to pack their personal items on a given date, and upon completion of the move only to unpack such personal items at their new work stations/offices. To the extent reasonably practicable and subject to Tenant's good faith cooperation to effectuate same, any such relocation shall entail a Friday pack-up and weekend move, with the goal that Tenant shall be ready to occupy and operate in the Relocation Space as of the following Monday morning, subject to full cooperation of Tenant's IT and other organizational employees necessary to cause the same to occur in coordination with Landlord. From and after the date of the relocation, the Base Rent and Tenant's Pro Rata Share shall be adjusted based on the rentable square footage of the Relocation Space. Landlord shall pay Tenant's reasonable costs of relocation, including all costs for moving Tenant's furniture, equipment, supplies and other personal property, as well as the cost of printing and distributing change of address notices to Tenant's customers and one month's supply of stationery showing the new address. Notwithstanding the foregoing, Landlord agrees that it shall not exercise the aforementioned relocation right within the last twelve (12) months of the Term of this Lease.

**22. Holding Over.**

If Tenant fails to surrender all or any part of the Premises at the termination of this Lease, occupancy of the Premises after termination shall be that of a tenancy at sufferance. Tenant's occupancy shall be subject to all the terms and provisions of this Lease, and Tenant shall pay an amount (on a per diem basis) equal to (a) for the first thirty (30) days, 150% of the sum of the Base Rent and Additional Rent due for the period immediately preceding the holdover, and (b) thereafter, 200% of the sum of the Base Rent and Additional Rent due for the period immediately preceding the holdover. No holdover by Tenant or payment by Tenant after the termination of this Lease shall be construed to extend the Term or prevent Landlord from immediate recovery of possession of the Premises by summary proceedings or otherwise. In the event Tenant holds over more than thirty (30) days following the expiration or earlier termination of this Lease, Tenant shall be liable for all damages that Landlord suffers from the holdover, including lost leases or penalties payable to replacement tenants.

### **23. Subordination to Mortgages; Estoppel Certificate.**

23.01 Tenant accepts this Lease subject and subordinate to any mortgage(s), deed(s) of trust, deeds to secure debt, ground lease(s) or other lien(s) now or subsequently arising upon the Premises, the Building or the Property, and to renewals, modifications, refinancings and extensions thereof (collectively referred to as a “**Mortgage**”). The party having the benefit of a Mortgage shall be referred to as a “**Mortgagee**”. This clause shall be self-operative, but upon request from a Mortgagee or Landlord, Tenant shall execute, acknowledge as necessary and deliver to Landlord within fifteen (15) days after receipt thereof, a so-called subordination, non-disturbance and attornment agreement (“**SNDA**”) in favor of the Mortgagee on such Mortgagee’s standard form with such changes thereto as such Mortgagee shall agree to. As an alternative, a Mortgagee shall have the right at any time to subordinate its Mortgage to this Lease. Upon request, Tenant, without charge, shall attorn to any successor to Landlord’s interest in this Lease. Landlord and Tenant shall each, within twenty (20) days after receipt of a written request from the other, execute and deliver a commercially reasonable estoppel certificate to those parties as are reasonably requested by the other (including a Mortgagee or prospective purchaser). Without limitation, such estoppel certificate may include a certification as to the status of this Lease, to Tenant’s knowledge the existence of any defaults and the amount of Rent that is due and payable. Notwithstanding anything to the contrary contained herein, Landlord shall make a commercially reasonable effort to provide Tenant with a SNDA from any current or future Mortgagee, on the form provided by such Mortgagee with such commercially reasonable revisions as Tenant may request and such Mortgagee shall agree to.

23.02 In the event Mortgagee enforces its rights under the Mortgage, Tenant, at Mortgagee’s option, will attorn to Mortgagee or its successor; provided, however, that Mortgagee or its successor shall not be liable for or bound by (i) any payment of any Rent installment which may have been made more than thirty (30) days before the due date of such installment, (ii) any act or omission of or default by Landlord under this Lease (but Mortgagee, or such successor, shall be subject to the continuing obligations of landlord under the Lease to the extent arising from and after such succession to the extent of Mortgagee’s, or such successor’s, interest in the Property), (iii) any credits, claims, setoffs or defenses which Tenant may have against Landlord, or (iv) any obligation to complete any construction or improvements for the benefit of Tenant or advance any tenant improvement allowance. Tenant, upon the reasonable request by Mortgagee or such successor in interest, shall execute and deliver an instrument or instruments confirming such attornment. Notwithstanding the foregoing, if Mortgagee shall have entered into a non-disturbance agreement directly with the Tenant governing Tenant’s obligations to attorn to Mortgagee or such successor in interest as landlord, the terms and provisions of such non-disturbance agreement shall supercede the provisions of this Section 23.02.

### **24. Notice.**

All demands, approvals, consents or notices (collectively referred to as a “**notice**”) shall be in writing and delivered by hand or sent by overnight or same day courier service at the party’s respective Notice Address(es) set forth in Section 1;. Each notice shall be deemed to have been delivered on the earlier to occur of actual delivery or the date on which delivery is refused, or one (1) day after notice is deposited with an overnight courier service in the manner described above. Either party may, at any time, change its Notice Address (other than to a post office box address) by giving the other party written notice of the new address. Notice may be given by counsel for either party.

## 25. Surrender of Premises.

On the Termination Date or earlier termination of this Lease or Tenant's right of possession, Tenant shall remove Tenant's Property from the Premises, and quit and surrender the Premises to Landlord, broom clean, and in good order, condition and repair, ordinary wear and tear and damage which Landlord is obligated to repair hereunder excepted. If Tenant fails to remove any of Tenant's Property, or to restore the Premises to the required condition, on the Termination Date or earlier termination of this Lease or Tenant's right to possession, Landlord, at Tenant's sole cost and expense, shall be entitled (but not obligated) to remove and store Tenant's Property and/or perform such restoration of the Premises. Landlord shall not be responsible for the value, preservation or safekeeping of Tenant's Property. Tenant shall pay Landlord, upon demand, the expenses and storage charges incurred. If Tenant fails to remove Tenant's Property from the Premises or storage, within ten (10) days after notice, Landlord may deem all or any part of Tenant's Property to be abandoned and, at Landlord's option, title to Tenant's Property shall vest in Landlord or Landlord may dispose of Tenant's Property in any manner Landlord deems appropriate.

## 26. Miscellaneous.

26.01 This Lease shall be interpreted and enforced in accordance with the Laws of the state or commonwealth in which the Building is located and Landlord and Tenant hereby irrevocably consent to the jurisdiction and proper venue of such state or commonwealth. If any term or provision of this Lease shall to any extent be void or unenforceable, the remainder of this Lease shall not be affected. If there is more than one Tenant or if Tenant is comprised of more than one party or entity, the obligations imposed upon Tenant shall be joint and several obligations of all the parties and entities, and requests or demands from any one person or entity comprising Tenant shall be deemed to have been made by all such persons or entities. Notices to any one person or entity shall be deemed to have been given to all persons and entities.

26.02 Tenant represents and warrants to Landlord, and agrees, that (a) each individual executing this Lease on behalf of Tenant is authorized to do so on behalf of Tenant and (b) none of Tenant, Guarantor, if any, or its or their respective affiliates or partners nor to the best of its knowledge, its or their members, shareholders or other equity owners or any of its or their respective employees, officers, directors, representatives or agents is (i) a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of the Office of Foreign Asset Control ("OFAC") of the Department of the Treasury (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) or other similar governmental action or (ii) in violation of any Laws relating to terrorism or money laundering.

26.03 Landlord represents and warrants to Tenant, and agrees, that: (a) each individual executing this Lease on behalf of Landlord is authorized to do so on behalf of Landlord, and (b) none of Landlord or its affiliates or partners nor to the best of its knowledge, its members, shareholders or other equity owners or any of their respective employees, officers, directors, representatives or agents is (i) a person or entity with whom U.S. persons or entities are restricted from doing business under regulations of OFAC (including those named on OFAC's Specially Designated and Blocked Persons List) or under any statute, executive order (including the September 24, 2001, Executive Order Blocking Property and Prohibiting



Transactions with Persons Who Commit, Threaten to Commit, or Support Terrorism) or other similar governmental action or (ii) in violation of any Laws relating to terrorism or money laundering.

26.04 If Landlord retains an attorney or institutes legal proceedings due to Tenant's Monetary Default, then Tenant shall be required to pay Additional Rent in an amount equal to the reasonable attorneys' fees and costs actually incurred by Landlord in connection therewith. Notwithstanding the foregoing, in any action or proceeding between Landlord and Tenant, including any appellate or alternative dispute resolution proceeding, the prevailing party shall be entitled to recover from the non-prevailing party all of its costs and expenses in connection therewith, including, but not limited to, reasonable attorneys' fees actually incurred. Landlord and Tenant hereby waive any right to trial by jury in any proceeding based upon a breach of this Lease. No failure by either party to declare a default immediately upon its occurrence, nor any delay by either party in taking action for a default, nor Landlord's acceptance of Rent with knowledge of a default by Tenant, shall constitute a waiver of the default, nor shall it constitute an estoppel.

26.05 Whenever a period of time is prescribed for the taking of an action by Landlord or Tenant (other than any obligation of Tenant that can be performed by the payment of money e.g., the payment of the Security Deposit or Rent or the maintenance of insurance), the period of time for the performance of such action shall be extended by the number of days that the performance is actually delayed due to strikes, acts of God, shortages of labor or materials, war, terrorist acts, pandemics, civil disturbances and other causes beyond the reasonable control of the performing party ("**Force Majeure**").

26.06 Tenant, within fifteen (15) days after written request, shall provide Landlord with a current financial statement for Tenant. Landlord, however, shall not require Tenant to provide such information more than once per Fiscal Year, unless Landlord is requested to produce the information in connection with a proposed financing or sale of the Building. Upon written request by Tenant, Landlord shall enter into a commercially reasonable confidentiality agreement covering any confidential information that is disclosed by Tenant.

26.07 Landlord shall have the right to transfer and assign, in whole or in part, all of its rights and obligations under this Lease and in the Building and Property. Upon transfer, Landlord shall be released from any further obligations hereunder and Tenant agrees to look solely to the successor in interest of Landlord for the performance of such obligations, provided that any successor pursuant to a voluntary, third party transfer (but not as part of an involuntary transfer resulting from a foreclosure or deed in lieu thereof) shall have assumed Landlord's obligations under this Lease from and after the date of the transfer.

26.08 Landlord and Tenant each represents to the other that it has dealt directly with and only with each of the Brokers (described in Section 1.11) as a broker, agent or finder in connection with this Lease. Tenant shall indemnify and hold Landlord and the Landlord Related Parties harmless from all claims of any other brokers, agents or finders claiming to have represented Tenant in connection with this Lease. Landlord shall indemnify and hold Tenant and the Tenant Related Parties harmless from all claims of any brokers, agents or finders claiming to have represented Landlord in connection with this Lease.

26.09 The expiration of the Term, whether by lapse of time, termination or otherwise, shall not relieve either party of any obligations which accrued prior to or which may continue to accrue after the expiration or termination of this Lease.

26.10 Tenant may peacefully have, hold and enjoy the Premises free from interference by Landlord or Landlord Related Parties subject to the terms of this Lease, provided Tenant pays the Rent and fully performs all of its covenants and agreements.

26.11 This Lease does not grant any rights to light or air over or about the Building. Landlord excepts and reserves exclusively to itself any and all rights not specifically granted to Tenant under this Lease. Landlord reserves the right to make changes to the Property (including adding or removing land therefrom), Building and Common Areas as Landlord deems appropriate, including, without limitation, relocation of some or all of the surface parking spaces located on the Property to structured parking to be used in connection with the Property. This Lease constitutes the entire agreement between the parties and supersedes all prior agreements and understandings related to the Premises, including all lease proposals, letters of intent and other documents. Neither party is relying upon any warranty, statement or representation not contained in this Lease. This Lease may be modified only by a written agreement signed by an authorized representative of Landlord and Tenant. Wherever this Lease requires Landlord to provide a customary service or to act in a reasonable manner (whether in incurring an expense, establishing a rule or regulation, providing an approval or consent, or performing any other act), this Lease shall be deemed also to provide that whether such service is customary or such conduct is reasonable shall be determined by reference to the practices of owners of buildings that (i) are comparable to the Building in size, age, class, quality and location, and (ii) at Landlord's option, have been, or are being prepared to be, certified under the U.S. Green Building Council's Leadership in Energy and Environmental Design (LEED) rating system or a similar rating system.

26.12 Submission of this Lease by Landlord is not an offer to enter into this Lease but rather is a solicitation for such an offer by Tenant. Neither party shall be bound by this Lease until both parties have executed and delivered the Lease to the other party.

26.13 It is intended that all Rent payable by Tenant to Landlord, which includes all sums, charges, or amounts of whatever nature to be paid by Tenant to Landlord in accordance with the provisions of this Lease, shall qualify as "rents from real property" within the meaning of both Sections 512(b)(3) and 856(d) of the Internal Revenue Code (the "**Code**"), and the U.S. Department of Treasury Regulations promulgated thereunder (the "**Regulations**"). If Landlord, in its sole discretion, determines that there is any risk that all or part of any Rent shall not qualify as "rents from real property" for the purposes of Section 512(b)(3) or 856(d) of the Code and the Regulations, Tenant agrees (i) to cooperate with Landlord by entering into such amendment or amendments to this Lease (or any applicable sublease or assignment of this Lease) as Landlord reasonably deems necessary to qualify all Rent as "rents from real property," and (ii) to permit an assignment of this Lease; provided, however, that any adjustments required under this Section shall be made so as to produce the substantially equivalent (in economic terms) Rent as payable before the adjustment.

26.14 If Landlord is advised by its counsel at any time that any part of the payments by Tenant to Landlord under this Lease may be characterized as unrelated business income under the United States Internal Revenue Code and its regulations, then Tenant shall enter into any amendment proposed by Landlord to avoid such income, so long as the amendment does not create adverse consequences for Tenant or otherwise require Tenant to make more payments or accept fewer services from Landlord, than this Lease provides.

26.15 Tenant shall not record this Lease or any memorandum or notice of Lease.

26.16 This Lease may be executed in counterparts and shall constitute an agreement binding on all parties notwithstanding that all parties are not signatories to the original or the same counterpart provided that all parties are furnished a copy or copies thereof reflecting the signature of all parties. Transmission of a facsimile or by email of a pdf copy of the signed counterpart of the Lease shall be deemed the equivalent of the delivery of the original, and any party so delivering a facsimile or pdf copy of the signed counterpart of the Lease by email transmission shall in all events deliver to the other party an original signature promptly upon request.

**[Remainder of page intentionally left blank]**

Landlord and Tenant have executed this Lease under seal in two or more counterparts as of the day and year first above written.

**LANDLORD:**

**NEEP INVESTORS HOLDINGS LLC, a Delaware limited liability company**

By: /s/ Stephen A. Kinsella

Name: Stephen A. Kinsella

Title: Authorized Officer

**TENANT:**

**SCPHARMACEUTICALS INC., a Delaware corporation**

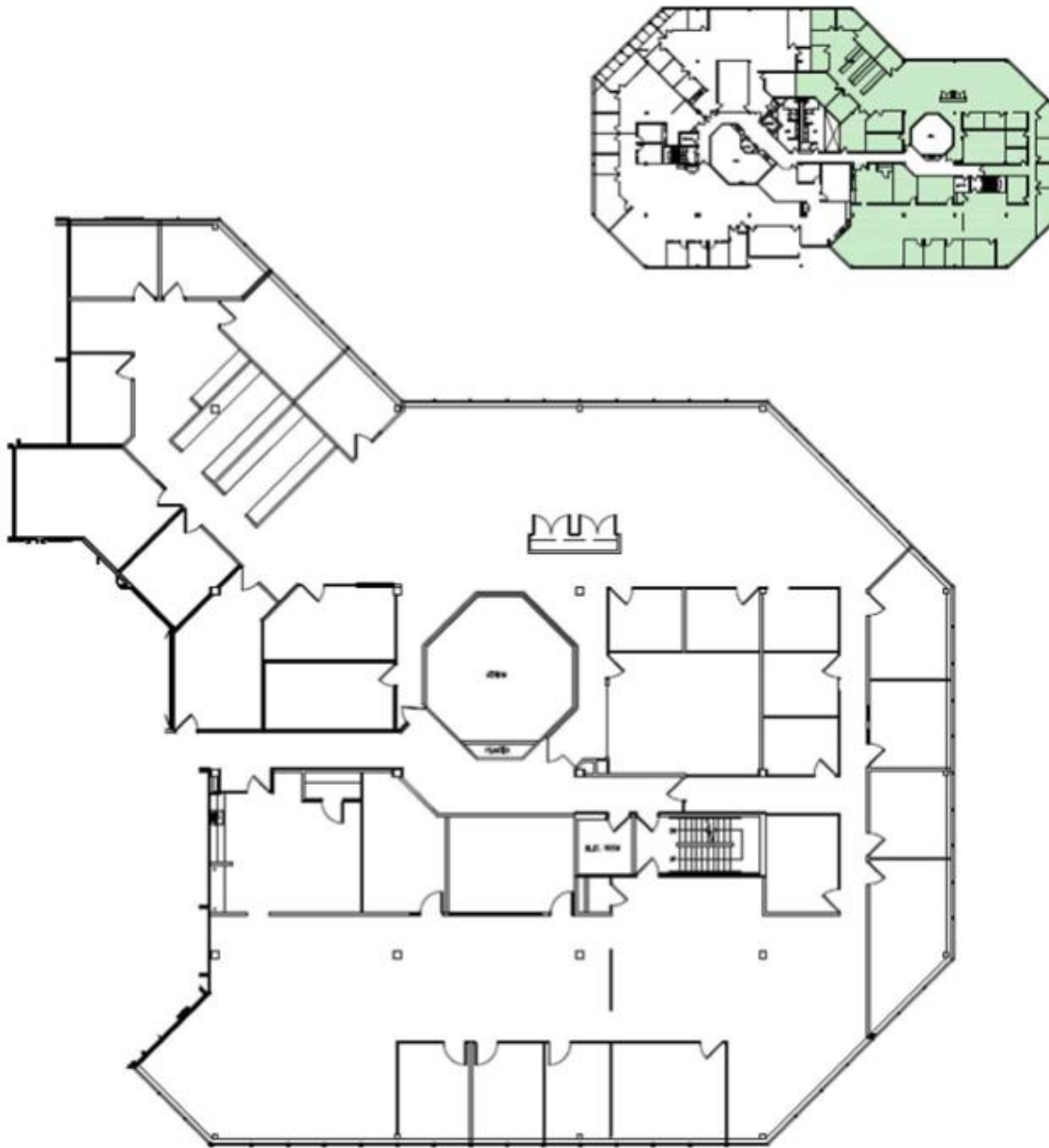
By: /s/ John H. Tucker

Name: John H. Tucker

Title: CEO

EXHIBIT A-1

OUTLINE AND LOCATION OF PREMISES



**scPharmaceuticals, Inc. - 13,066 RSF**  
2400 DISTRICT AVENUE - THIRD FLOOR - SUITE 310 -  
BURLINGTON, MA

**EXHIBIT A-2**

**LEGAL DESCRIPTION OF THE PROPERTY**

All that certain parcel of registered land with the buildings thereon situated on Burlington Mall Road and Executive Mall Road (formerly Entrance Road) in The District in the Town of Burlington, Middlesex County, Commonwealth of Massachusetts and being known and numbered as 2400 District Avenue in said Burlington, all more particularly described as follows:

That certain parcel of land situated in Burlington, Middlesex County, Massachusetts being more particularly shown as Lot 19 on Land Court Plan No. 31049-I filed with the Middlesex South Registry District of the Land Court in Registration Book 771, Page 47 with Certificate 128197.

**EXHIBIT B**

**EXPENSES AND TAXES**

**1. Payments.**

1.01 Tenant shall pay Tenant's Pro Rata Share of the amount, if any, by which Expenses (defined below) for each calendar year during the Term exceed Expenses for the Base Year (the "**Expense Excess**") and also the amount, if any, by which Taxes (defined below) for each Fiscal Year during the Term exceed Taxes for the Base Year (the "**Tax Excess**"). If Expenses or Taxes in any calendar year or Fiscal Year decrease below the amount of Expenses or Taxes for the Base Year, Tenant's Pro Rata Share of Expenses or Taxes, as the case may be, for that calendar year or Fiscal Year shall be \$0. Landlord shall provide Tenant with a good faith estimate of the Expense Excess and of the Tax Excess for each calendar year or Fiscal Year during the Term. On or before the first day of each month, Tenant shall pay to Landlord a monthly installment equal to one-twelfth of Tenant's Pro Rata Share of Landlord's estimate of both the Expense Excess and Tax Excess. If Landlord determines that its good faith estimate of the Expense Excess or of the Tax Excess was incorrect by a material amount, Landlord may provide Tenant with a revised estimate. After its receipt of a revised estimate, Tenant's monthly payments shall be based upon the revised estimate. If Landlord does not provide Tenant with an estimate of the Expense Excess or the Tax Excess by the first day of a calendar year or Fiscal Year, as the case may be, Tenant shall continue to pay monthly installments based on the previous year's estimate(s) until Landlord provides Tenant with the new estimate. Upon delivery of the new estimate, an adjustment shall be made for any month for which Tenant paid monthly installments based on the previous year's estimate. Tenant shall pay Landlord the amount of any underpayment within thirty (30) days after receipt of the new estimate. Any overpayment shall be refunded to Tenant within thirty (30) days or credited against the next due future installment(s) of Additional Rent.

1.02 As soon as is practical following the end of each calendar year or Fiscal Year, as the case may be, Landlord shall furnish Tenant with a statement of the actual Expenses and Expense Excess and the actual Taxes and Tax Excess for the prior calendar year or Fiscal Year, as the case may be. If the estimated Expense Excess or estimated Tax Excess for the prior calendar year or Fiscal Year, as the case may be, is more than the actual Expense Excess or actual Tax Excess for the prior calendar year or Fiscal Year, as the case may be, Landlord shall either provide Tenant with a refund or apply any overpayment by Tenant against Additional Rent due or next becoming due, provided if the Term expires before the determination of the overpayment, Landlord shall refund any overpayment to Tenant after first deducting the amount of Rent due. If the estimated Expense Excess or estimated Tax Excess for the prior calendar year or Fiscal Year, as the case may be, is less than the actual Expense Excess or actual Tax Excess, for such prior calendar year or Fiscal Year, as the case may be, Tenant shall pay Landlord, within thirty (30) days after its receipt of the statement of Expenses or Taxes, any underpayment for the prior calendar year or Fiscal Year, as the case may be.

**2. Expenses.**

2.01 "**Expenses**" means all costs and expenses incurred in each calendar year in connection with operating, maintaining, repairing, and managing the Building, the Property, and the Park (as hereinafter provided for). Expenses include, without limitation: (a) all labor and labor related costs, including wages, salaries, bonuses, taxes, insurance, uniforms, training, retirement plans, pension plans and other employee benefits; (b) management fees in an

amount equal to three percent (3%) of the gross revenues from the Building; (c) the cost of equipping, staffing and operating an on-site and/or off-site management office for the Building, provided if the management office services one or more other buildings or properties, the shared costs and expenses of equipping, staffing and operating such management office(s) shall be equitably prorated and apportioned between the Building and the other buildings or properties; (d) accounting costs; (e) the cost of services; (f) rental and purchase cost of parts, supplies, tools and equipment; (g) insurance premiums and commercially reasonable deductibles; (h) electricity, gas and other utility costs; and (i) the amortized cost of capital improvements (as distinguished from repairs or replacement parts or components installed in the ordinary course of business, all of which shall be includable in Expenses, but excluding in any event replacement of the roof, HVAC, parking lot or structure of the Building) made subsequent to the Base Year which are: (1) intended to effect economies in the operation or maintenance of the Property and/or the Park, reduce current or future Expenses, or enhance the safety or security of the Property and/or the Park or its occupants, or enhance the environmental sustainability of the Property's operations, (2) replacements or modifications of nonstructural items located in the Base Building or Common Areas that are required to keep the Base Building or Common Areas in good condition, or (3) required under any Law first in effect following the Commencement Date. The cost of capital improvements shall be amortized by Landlord over the lesser of the Payback Period (defined below) or the useful life of the capital improvement as reasonably determined by Landlord in accordance with generally accepted accounting principles. The amortized cost of capital improvements may, at Landlord's option, include actual or imputed interest at the rate that Landlord would reasonably be required to pay to finance the cost of the capital improvement. **"Payback Period"** means the reasonably estimated period of time that it takes for the cost savings resulting from a capital improvement to equal the total cost of the capital improvement. Landlord, by itself or through an affiliate, shall have the right to directly perform, provide and be compensated for any services under the Lease. If Landlord incurs Expenses for the Building or Property together with one or more other buildings in the Park, whether pursuant to a reciprocal easement agreement, common area agreement or otherwise, the shared costs and expenses shall be equitably prorated and apportioned between the Building and Property and the other buildings or properties in the Park, as applicable.

2.02 Expenses shall not include: the cost of capital improvements (except as set forth above); depreciation; reserves, principal or interest payments of mortgage and other non-operating debts of Landlord; the cost of repairs or other work to the extent Landlord is reimbursed by insurance or condemnation proceeds; costs in connection with leasing space in the Building, including advertising, legal and space planning expenses, brokerage commissions; lease concessions, rental abatements and construction allowances granted to specific tenants; costs incurred in connection with the sale, financing or refinancing of the Building; fines, interest and penalties incurred due to the late payment of Taxes or Expenses; organizational expenses associated with the creation and operation of the entity which constitutes Landlord; or any penalties or damages that Landlord pays to Tenant under this Lease or to other tenants in the Building under their respective leases, costs of Landlord's charitable or political contributions, or of artwork maintained at the Property to the extent in excess of reasonable and typical expenses for artwork at comparable buildings in the Burlington area, costs in connection with services (including electricity), items or other benefits of a type which are not standard for the Property and which are not available to Tenant without specific charges therefor, but which are provided to another tenant or occupant of the Property whether or not such other tenant or occupant is specifically charged therefor by Landlord, overhead and profit increment paid to Landlord or to subsidiaries or affiliates of Landlord for goods and/or services in or to the Property or Park to the extent the same exceeds the costs of such goods and/or services



rendered by unaffiliated third parties on a competitive basis, salaries, wages, benefits and other compensation paid to employees of Landlord at or above the level of property manager, asset manager or similar title of persons who perform a management or administrative function as opposed to persons performing the ongoing maintenance or repair of the Property, the original construction costs of the Property or Park and renovation prior to the date of the Lease and costs of correcting defects in such original construction or renovation, or the cost of the removal of any hazardous materials in, on or about the Property or Park.

2.03 If at any time during a calendar year the Building and/or any other building in the Park, as applicable, is not at least 95% occupied (or a service provided by Landlord to tenants of the Building (and/or any such other building) generally is not provided by Landlord to a tenant that provides such service itself, or any tenant of the Building (and/or any such other building) is entitled to free rent, rent abatement or the like), Expenses shall, at Landlord's option, be determined as if the Building (and/or any such other building) had been 95% occupied (and all services provided by Landlord to tenants of the Building (and/or any such other building) generally had been provided by Landlord to all tenants, and no tenant of the Building (and/or any such other building) had been entitled to free rent, rent abatement or the like) during that calendar year. If Expenses for a calendar year are determined as provided in the prior sentence, Expenses for the Base Year shall also be determined in such manner. Notwithstanding the foregoing, Landlord may calculate the extrapolation of Expenses under this Section based on 100% occupancy and service so long as such percentage is used consistently for each year of the Term, including the Base Year. The extrapolation of Expenses under this Section shall be performed in accordance with the methodology specified by the Building Owners and Managers Association.

Further, in the event that any item of Expenses for the Base Year is unusually high due to unusual or extraordinary circumstances or events (for example, an unusually harsh winter which might result in higher than normal heating costs and/or snow and ice removal costs), such item shall be adjusted and reduced to reflect the projected cost of what such item would have been had such unusual or extraordinary circumstances or events not arisen, and such adjusted amount shall be used in determining Expenses for the Base Year.

3. "**Taxes**" shall mean: (a) all real property taxes and other assessments on the Building and/or Property, including, but not limited to, gross receipts taxes, assessments for special improvement districts and building improvement districts, governmental charges, fees and assessments for police, fire, traffic mitigation or other governmental service of purported benefit to the Property, taxes and assessments levied in substitution or supplementation in whole or in part of any such taxes and assessments and the Property's share of any real estate taxes and assessments under any reciprocal easement agreement, common area agreement or similar agreement as to the Property; (b) all personal property taxes for property that is owned by Landlord and used in connection with the operation, maintenance and repair of the Property; and (c) all costs and fees incurred in connection with seeking reductions in any tax liabilities described in (a) and (b), including, without limitation, any costs incurred by Landlord for compliance, review and appeal of tax liabilities. Without limitation, Taxes shall be determined without regard to any "green building" credit and shall not include any income, capital levy, transfer, capital stock, gift, estate or inheritance tax. If a change in Taxes is obtained for any year of the Term during which Tenant paid Tenant's Pro Rata Share of any Tax Excess, then Taxes for that year will be retroactively adjusted and Landlord shall provide Tenant with a credit, if any, based on the adjustment. Likewise, if a change is obtained for Taxes for the Base Year, Taxes for the Base Year shall be restated and the Tax Excess for all subsequent years shall be recomputed. Tenant shall pay Landlord the amount of Tenant's Pro Rata Share of any such increase in the Tax Excess within thirty (30) days after Tenant's receipt of a statement from Landlord.

#### 4. Audit Rights.

Within ninety (90) days after receiving Landlord's statement of Expenses (or, with respect to the Base Year Expenses, within ninety (90) days after receiving Landlord's initial statement of Expenses for the Base Year) (each such period is referred to as the "**Review Notice Period**"), Tenant may give Landlord written notice ("**Review Notice**") that Tenant intends to review Landlord's records of the Expenses, Taxes and electricity to which the statement applies, and within thirty (30) days after delivering the Review Notice to Landlord (such period is referred to as the "**Request for Information Period**"), Tenant shall send Landlord a written request identifying, with a reasonable degree of specificity, the particular information Tenant desires to review (the "**Request for Information**"). Within a reasonable time (not to exceed fifteen (15) Business Days) after Landlord's receipt of a timely Request for Information, Landlord shall forward to Tenant, or make available for inspection on site at either the Building or at Landlord's principal place of business, such records (or copies thereof) for the applicable calendar year, Fiscal Year (or Base Year, as applicable) that are reasonably necessary for Tenant to conduct its review of the information identified in the Request for Information. Within sixty (60) days after any particular records are made available to Tenant (such period is referred to as the "**Objection Period**"), Tenant shall have the right to give Landlord written notice (an "**Objection Notice**") stating in reasonable detail any objection to (i) Landlord's statement of Expenses for that year which relates to the records that have been made available to Tenant and/or (ii) such records made available to Tenant, or the lack thereof. If Tenant provides Landlord with a timely Objection Notice, Landlord and Tenant shall work together in good faith to resolve any issues raised in Tenant's Objection Notice. If Landlord and Tenant determine that Expenses for the calendar year, Fiscal Year, and/or applicable billing period, are less than reported, Landlord shall promptly provide Tenant with a credit against the next installment of Rent in the amount of the overpayment by Tenant, so that Tenant is reimbursed as quickly as possible. Likewise, if Landlord and Tenant determine that Expenses for the calendar year, Fiscal Year, and/or applicable billing period, are greater than reported, Tenant shall pay Landlord the amount of any underpayment within thirty (30) days. If Tenant fails to give Landlord an Objection Notice with respect to any records that have been made available to Tenant prior to expiration of the Objection Period applicable to the records which have been provided to Tenant, Tenant shall be deemed to have approved Landlord's statement with respect to the matters reflected in such records and shall be barred from raising any claims regarding the Expenses, Taxes, electricity or the Additional Rent payable during such periods. If Tenant fails to provide Landlord with a Review Notice prior to expiration of the Review Notice Period or fails to provide Landlord with a Request for Information prior to expiration of the Request for Information Period described above, Tenant shall be deemed to have approved Landlord's statement of applicable Expenses, applicable Taxes, applicable electricity or applicable Additional Rent and shall be barred from raising any claims regarding the applicable Expenses, applicable Taxes, applicable electricity or applicable Additional Rent for that year, Fiscal Year and/or applicable billing period.

If Tenant retains an agent to review Landlord's records, the agent must be a CPA firm of individual CPA licensed to do business in the state or commonwealth where the Property is located, and must be compensated solely on an hourly (and not contingency) basis. Tenant shall be solely responsible for all of Tenant's costs, expenses and fees incurred for the audit, and the fees charged cannot be based in whole or in part on a contingency basis. Landlord shall be solely responsible for all of Landlord's costs, expenses and fees incurred for the audit.

The records and related information obtained by Tenant shall be treated as confidential, and applicable only to the Building and the Property by Tenant and its auditors, consultants and other parties reviewing such records on behalf of Tenant (collectively, "**Tenant's Auditors**"). In no event shall Tenant be permitted to examine Landlord's records or to dispute any statement of Expenses unless Tenant has paid and continues to pay (i) monthly the Base Rent, and (ii) monthly the regular recurring estimated payment of Expenses, Taxes and Electricity. In the event such audit discloses that Landlord's statement overstated such actual costs and expenses by five percent (5.0%) or more, then Landlord shall reimburse Tenant for the actual and reasonable cost of said audit within thirty (30) days of written demand therefor by Tenant.

## EXHIBIT C

### WORK LETTER

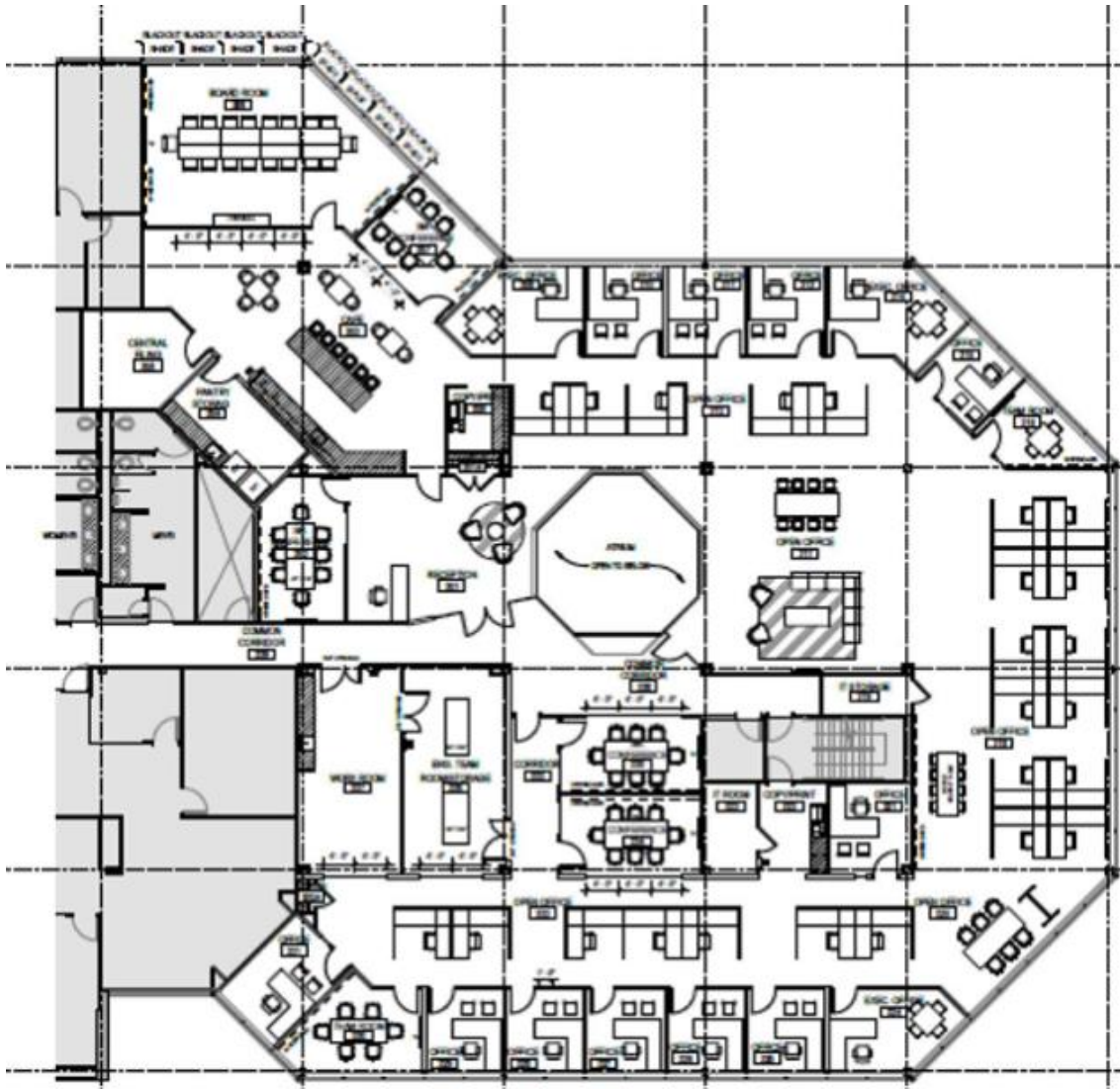
1. This Work Letter shall set forth the obligations of Landlord and Tenant with respect to the preparation of the Premises for Tenant's occupancy. As used herein, "**Landlord Work**" shall mean the work to be completed by Landlord, in a good and workmanlike manner, and in accordance with applicable Laws, to prepare the Premises for Tenant's occupancy as described in the plan(s) and specifications set forth or referred to in **Exhibit C-1** attached hereto (the "**Plan**") and **Exhibit C-2** attached hereto (the "**Building Standard Specifications**," and together with the Plan, the "**Plans and Specifications**"), which are incorporated herein. Landlord shall enter into a direct contract for the Landlord Work with a general contractor selected by Landlord in its sole discretion, which may be Cranshaw Construction, an affiliate of Landlord.
2. Landlord shall be responsible for the preparation of all initial and final architectural, electrical and mechanical construction drawings, plans and specifications (called "**Plans**") necessary to construct the Landlord Work in accordance with the conceptual floor plan for the Premises attached to this Lease as **Exhibit C-1**, which has been mutually approved by the parties. Tenant shall be obligated to use diligent, good faith, and commercially reasonable efforts to respond to all requests from Landlord or Landlord's architect for information necessary to prepare, revise or finalize the Plans as soon as is reasonably practicable, but in any event within two (2) Business Days following written request therefor (unless a longer response period is specified in any such written request from Landlord or Landlord's architect) in order to facilitate the timely preparation of the Plans, and Tenant's failure to timely respond as aforesaid shall constitute a Tenant Delay (on a day-for-day basis, beginning on the day following the day set forth above for Tenant to respond, and ending on the day on which Tenant does in fact respond to the request for information) pursuant to the provisions of the Lease.
3. On or prior to May 26, 2017, Landlord shall prepare and submit to Tenant final architectural, electrical and mechanical construction drawings, plans and specifications necessary to construct the Landlord Work in accordance with **Exhibit C-1**. If Tenant shall request any changes to the Landlord Work following such date, in its sole discretion (each, a "**Change Order**"), Landlord shall cause to be prepared any necessary revisions to the Plans and Specifications, and Tenant shall reimburse Landlord on demand for the cost of preparing such revisions. Landlord shall notify Tenant in writing of the estimated increased cost, if any, which will be chargeable to Tenant by reason of such Change Order(s), and any Tenant Delay reasonably expected to result therefrom. Tenant shall, within three (3) Business Days after receiving Landlord's estimate of the cost of the Change Order(s), notify Landlord in writing whether it desires to proceed with such Change Order(s) and accept such increased cost and Tenant Delay, if any. In the absence of such written authorization, Landlord shall have the option to continue work on the Premises disregarding the requested Change Order(s), or Landlord may elect to discontinue work on the Premises until it receives notice of Tenant's decision plus payment of any such increased cost and acceptance by Tenant of such Tenant Delay, in which event Tenant shall be responsible for any additional Tenant Delay in completion of Landlord Work (as reasonably determined by Landlord) resulting from such delay in written authorization.

4. If Landlord shall be delayed in Landlord Work being Substantially Complete as a result of the occurrence of any of the following (a “**Tenant Delay**”):
- (a) Tenant’s failure to furnish information in accordance with this Work Letter or to respond to any request by Landlord for any approval or information within any time period prescribed, or if no time period is prescribed, then within two (2) Business Days after such written request; or
  - (b) Tenant’s request for materials, finishes or installations that have long lead times after having first been informed by Landlord that such materials, finishes or installations will cause a Delay; or
  - (c) Any Change Order(s) or failure to timely approve same; or
  - (d) The performance or nonperformance by a person or entity employed by on or behalf of Tenant in the completion of any work in the Premises (all such work and such persons or entities being subject to prior approval of Landlord); or
  - (e) Any request by Tenant that Landlord delay the completion of any component of Landlord Work; or
  - (f) Any breach or failure by Tenant in the performance of Tenant’s obligations under the Lease; or
  - (g) Tenant’s failure to pay any amounts as and when due under this Work Letter; or
  - (h) Any delay resulting from Tenant’s having taken possession of the Premises for any reason prior to Landlord Work being Substantially Complete; or
  - (i) Any other delay reasonably and directly chargeable to Tenant, its agents, employees or independent contractors;
- then, for purposes of determining the Commencement Date, the date that Landlord Work shall be deemed to be Substantially Complete shall be the day that Landlord Work would have been Substantially Complete absent any such Tenant Delay, all as reasonably determined by Landlord.
5. This Work Letter shall not be deemed applicable to any additional space added to the original Premises at any time or from time to time, whether by any options under the Lease or otherwise, or to any portion of the original Premises or any additions to the Premises in the event of a renewal or extension of the original Lease Term, whether by any options under the Lease or otherwise, unless expressly so provided in the Lease or any amendment or supplement to the Lease. All capitalized terms used in this Work Letter but not defined herein shall have the same meanings ascribed to such terms in the Lease.

**[END OF EXHIBIT C]**

EXHIBIT C-1

PREMISES FIT PLAN



\* Countertop in pantry storage included as an add/alt. It is understood additional millwork is at the sole cost of the tenant.

**BUILDING STANDARD SPECIFICATIONS**

THE DISTRICT BUILDING STANDARDS

1. Walls
  - a. 2 V” metal studs with 5/8” GWB each side; taped, spackled and sanded
  - b. Tenant Suite Demising walls - Construction full height to underside of deck with insulation
  - c. Private offices and all interior suite walls - Construction height 6” above finished ceiling
  - d. Conference Rooms - Construction full height to underside of deck with sound batt wall insulation at walls between rooms
  - e. Server Rooms - Construction full height to underside of deck with sound batt wall insulation on all sides
  - f. All walls must penetrate the ceiling a minimum of 6”. All demising partitions and corridor walls must extend completely and be sound insulated and fire taped; drywall and studs must extend to the underside of the slab. All voids fire stopped.
2. Floors
  - a. Office interiors and reception - minimum 32 oz level loop commercial carpet, tile or broadloom Cost:(\$30/sy). Broadloom carpet is required at all 1<sup>st</sup> floors suites.
  - b. Storage, kitchens, break area, copy rooms - 12” x 12” VCT tile.
3. Base
  - 4” Rubber base
4. Doors & Sidelights

Entryway Doors - All tenant entry doors on the public corridors of multi-tenant floors are to:

  1. Match existing doors of other tenants on the respective floors

OR

  2. Building Standard glass door with glass sidelight  
Glass door hardware:  
Pivot hinges (top and bottom)  
Door pulls (both sides) per elevation  
Top and bottom rails at door  
Concealed closer (2 for pair of doors)  
Electromagnetic lock Schlage electronics m490 (Schlage electronics m492. for pair)  
Motion sensor - Schlage electronics scan ii  
Push to exit button - Schlage electronics 621rd-ex-da.  
Key switch device - Schlage electronics 653-05 for suite without card access/keypad

Any Deviation from building standard must be approved by Property Management. Interior Suite Doors - all interior doors within a tenant suite are to be 8’ high prefinished wood veneer solid core door.

  - i. Office interiors  
100, 700 and 2400 District Avenue  
Manufacturer: VT Industries  
  
Style: Heritage Collection Architectural Wood Door  
White Birch Veneer Plain Sliced, Grade A  
Five-Ply Flush Bonded Particle Door  
Color: TBD

- ii. Frame - Hollow Metal, painted

Interior Sidelights - Drywall cased 18" frameless sidelight

5. Hardware and Locks

- a. All door hardware must conform to the building standard specification below. All Locks, including interior locks, must be building standard US 26D (626) Satin Chrome.

Cylindrical lock: Schlage ND series  
Athens Lever Design  
626 Satin Chromium Plated

- b. All mag locks must be tied into the Building's Fire Alarm System. All mag locks must fail safe on fire alarm.

- c. All re-keying to be done at tenant's expense with approved landlord vendor:

Action Lock and Key  
Office number 781-229-9992  
Email: [nicole@alkinc.net](mailto:nicole@alkinc.net)  
17 Cambridge Street Burlington, MA 01803

Keying as follow:

C145 Primus  
2400 District Avenue

6. Ceilings

- a. Existing or 8'-6" ceiling height.
- b. All new ceilings are to be Armstrong Dune #1775 24"x24", 9/16" beveled tegular tile, White
- c. All new ceiling grids must use Armstrong Suprafine XL 9/16" exposed tee system, White
- d. At initial walkthrough evaluate above ceiling conditions for open ceiling concept and inform landlord of findings and/or challenges

7. Paint

- a. (1) coat primer, (2) coats finish latex, eggshell finish at all gyp. walls Millwork

8. Millwork

- a. Plastic laminated base and upper cabinets as indicated on Tenant Space plans in kitchen area and work areas
- b. Exclusions; Reception desk

9. Lighting

- a. General: if parabolic fixtures exist within suite, they must be replaced with either T5 or LED fixtures as follow:
  - i. 2'x4' recessed direct/indirect basket fixture Focal Point Luna FLU-24-PS-3-T5-G-WH (3) T-5; 3500k
  - ii. 2'x2' recessed direct/indirect basket fixture Focal Point Luna FLU-22-PS-2-T5-G-WH (2) T-5; 3500k
  - iii. Downlight: Spectrum Lighting: SGE6LEDOS-20L-35K-DS102-MW
  - iv. Wallwasher: Spectrum Lighting: SGW6LEDOS-20L-35K-DS102-MW
  - v. Exit Sign: Edge-Lit mirror back LED recessed mount, brushed aluminum with red lettering, emergency battery and self diagnostics. Arrows as required by location. Lithonia Lighting: LRP X RMR X 120/277 EL/N



- b. Illumination levels as required by State of Massachusetts Building Energy Code
- c. Standard switching motion sensors to comply with State of Massachusetts Building Energy Code
- d. All new light switches to be white plate and white device. If existing devices are to remain in 50% of suite they must match existing
- e. Light Fixtures can be secured to structure by jack chain only. No tie wires of any kind shall be allowed

10. Electrical

- a. Private Offices - (2) duplex outlet receptacles
- b. Open Office Areas - Convenience duplex outlet receptacles as required.
- c. All new electrical receptacles to be white plate and white device. If existing devices are to remain in 50% of suite they must match existing
- d. Wiring within all closets, or any exposed interior area shall be EMT conduit from any enclosure to a minimum of 6" above ceiling
- e. All outlet must be labelled with panel and circuit numbers
- f. All floor coring must be done off hours and notification must be sent in writing to landlord 2 weeks prior to date of work

11. Voice and Data

- a. Private offices - (1) junction box w/pull string
- b. Open Office Area - Junction box w/pull string as required by Tenant's Layout
- c. Tenant is responsible for all Voice, Data and A/V distribution

12. HVAC

- a. During construction:
  - i. Negative air units need to be in place and operating at all times
  - ii. All returns must be covered with filter media at all times
- b. Tenant is responsible for installation, repairs, maintenance and replacement of all supplemental HVAC units dedicated to their Premises
- c. Thermostat locations as required by zone
- d. Return Air through plenum
- e. Approved Balancing Contractors at The District
  - i. J.F. Coffey Associates  
Martin Monaghan  
martin@jffcoffey.com  
(617) 769-9901  
61 Willard Street  
Quincy, MA 02169
  - ii. E.L. Barrett  
Ed Barrett  
m.(617) 770-9075  
b. (617) 770-9990  
1147 Hancock Street, Suite 201  
Quincy, MA 02169

13. Plumbing

- a. According to plan: including distribution, insulation, electrical water heater, vents and drains

- b. All water heaters shall have an automatic leak detector and water shutoff included as part of install
- c. All hot water heaters shall have drain pans
- d. Check life of existing water heater in premises and replace as required
- e. If a sink has an ejector pump it must be replaced
- f. Tenant is responsible for the cost of valved and capped cold water lines required for tenant's equipment (ie. refrigerator, coffee machine, filtration system, etc.)
  - i. Tenant is responsible for all equipment
- g. Tenant is responsible for all repairs and replacement of water heaters that are dedicated to their premises

14. Fire Protection

- a. Interior hydraulically calculation fire protection sprinkler system per State of Massachusetts Building Code.
- b. Fully sprinklered
- c. Sprinkler heads are to be concealed type, centered in ceiling tile.

15. Fire Alarm

- a. As required by State of Massachusetts Building Code.
- b. Testing and programming by companies listed below in respective buildings.

Testing by RB Allen and fire alarm company on record for testing  
RB Allen Contact Info  
Jack Hall  
Office number 603-964-8140  
Email: [jackhall@rballen.com](mailto:jackhall@rballen.com)

Programming by RB Allen  
RB Allen Contact Info  
Jack Hall  
Office number 603-964-8140  
Email: [jackhall@rballen.com](mailto:jackhall@rballen.com)

16. Security

- a. Tenant is responsible for installing any and all security systems, alarms, controls and distribution dedicated to their Premises. Security system must be approved by Landlord PRIOR to installation.

17. Fireproofing

- a. In event of any structural steel is exposed at 700, 800 and 2400 District, thorough fireproofing shall be required as part of contractor's scope of work.
- b. Subcontractors engaged to replace fireproofing materials must be licensed by the manufacturer and have prior experience in at least two projects of similar size and scope.
- c. All structural elements (columns, beams, etc.) must have an application to afford three hours of fire resistance. Floors and decking are to be two hour rated.

**EXHIBIT D**

**COMMENCEMENT LETTER**

Date 2017  
Tenant ScPharmaceuticals Inc.  
Address 2400 District Avenue, Suite 310  
Burlington, Massachusetts 01803

Re: Commencement Letter with respect to that certain Lease dated as of \_\_\_\_\_, 2017, by and between **NEEP Investors Holdings LLC**, as Landlord, and **ScPharmaceuticals Inc.**, as Tenant, for 13,066 rentable square feet on the 3<sup>rd</sup> floor of the Building located at 2400 District Avenue, Burlington, Massachusetts 01803.

Dear \_\_\_\_\_ :

In accordance with the terms and conditions of the above referenced Lease, Tenant hereby confirms and agrees that it has accepted possession of the Premises with the Landlord Work having been completed, and acknowledges as follows:

1. The Commencement Date of the Lease is \_\_\_\_\_ ;
2. The Rent Commencement Date of the Lease is \_\_\_\_\_ ; and
3. The Termination Date of the Lease is \_\_\_\_\_ .

Please acknowledge the foregoing and your acceptance of possession by signing all 3 counterparts of this Commencement Letter in the space provided and returning 2 fully executed counterparts to my attention. Tenant's failure to execute and return this letter, or to provide written objection to the statements contained in this letter, within 10 days after the date of this letter shall be deemed an approval by Tenant of the statements contained herein.

Sincerely,

NEEP Investors Holdings LLC

By: \_\_\_\_\_  
Authorized Signatory

Acknowledged and Accepted:

Tenant: **ScPharmaceuticals Inc.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_  
Date: \_\_\_\_\_, 2017

**EXHIBIT E**

**BUILDING RULES AND REGULATIONS**

Capitalized terms used but not defined herein shall have the meanings given in the Lease.

The following rules and regulations shall apply, where applicable, to the Premises, the Building, the parking facilities (if any), the Property and the appurtenances. In the event of a conflict between the following rules and regulations and the remainder of the terms of the Lease, the remainder of the terms of the Lease shall control.

1. Sidewalks, doorways, vestibules, halls, stairways and other similar areas shall not be obstructed by Tenant or used by Tenant for any purpose other than ingress and egress to and from the Premises. No rubbish, litter, trash, or material shall be placed, emptied, or thrown in those areas. At no time shall Tenant permit Tenant's employees to loiter in Common Areas or elsewhere about the Building or Property.

2. Plumbing fixtures and appliances shall be used only for the purposes for which designed and no sweepings, rubbish, rags or other unsuitable material shall be thrown or placed in the fixtures or appliances.

3. No signs, advertisements or notices shall be painted or affixed to windows, doors or other parts of the Building, except those of such color, size, style and in such places as are first approved in writing by Landlord. All tenant identification and suite numbers at the entrance to the Premises, shall be installed by Landlord, at Landlord's cost and expense, using the standard graphics for the Building. Except in connection with the hanging of lightweight pictures and wall decorations, no nails, hooks or screws shall be inserted into any part of the Premises or Building except by the Building maintenance personnel without Landlord's prior approval, which approval shall not be unreasonably withheld. Landlord shall make one space in the Building's directory located in the lobby of the Building available to identify Tenant's name. Landlord shall make any revisions as Tenant requests in and to the initial listing after the Commencement Date, provided Tenant shall pay Landlord Landlord's reasonable charge for such revision.

4. Landlord may provide and maintain in the first floor (main lobby) of the Building an alphabetical directory board or other directory device listing tenants and no other directory shall be permitted unless previously consented to by Landlord in writing.

5. Tenant shall not place any lock(s) on any door in the Premises or Building without Landlord's prior written consent, which consent shall not be unreasonably withheld, and Landlord shall have the right at all times to retain and use keys or other access codes or devices to all locks within and into the Premises. A reasonable number of keys to the locks on the entry doors in the Premises shall be furnished by Landlord to Tenant at Landlord's cost and Tenant shall not make any duplicate keys. All keys shall be returned to Landlord at the expiration or early termination of the Lease.

6. All contractors, contractor's representatives and installation technicians performing work in the Building shall be subject to Landlord's prior approval, which approval shall not be unreasonably withheld, and shall be required to provide certificates of insurance as required under Section 9.03 of this Lease and comply with Landlord's standard rules,

regulations, policies and procedures, which may be revised from time to time. Landlord has no obligation to allow any particular telecommunication service provider to have access to the Building or to the Premises. If Landlord permits access, Landlord may condition the access upon the payment to Landlord by the service provider of fees assessed by Landlord in Landlord's sole discretion.

7. Movement in or out of the Building of furniture or office equipment, or dispatch or receipt by Tenant of merchandise or materials requiring the use of elevators, stairways, lobby areas or loading dock areas, shall be performed in a manner and restricted to hours reasonably designated by Landlord. Tenant shall obtain Landlord's prior approval by providing a detailed listing of the activity, including the names of any contractors, vendors or delivery companies, which approval shall not be unreasonably withheld, conditioned or delayed. Tenant shall assume all risk for damage, injury or loss in connection with the activity and shall provide appropriate certificates of insurance covering any such activities as may be required by Landlord.

8. Landlord shall have the right to approve the weight, size, or location of heavy equipment or articles in and about the Premises, which approval shall not be unreasonably withheld; provided that approval by Landlord shall not relieve Tenant from liability for any damage in connection with such heavy equipment or articles.

9. Corridor doors, when not in use, shall be kept closed.

10. Tenant shall not: (a) make or permit any improper, objectionable or unpleasant noises or odors in the Building, or otherwise interfere in any way with other tenants or persons having business with them; (b) solicit business or distribute or cause to be distributed, in any portion of the Building, handbills, promotional materials or other advertising; or (c) conduct or permit other activities in the Building that might, in Landlord's sole opinion, constitute a nuisance.

11. No animals, except those assisting handicapped persons, shall be brought into the Building or kept in or about the Premises.

12. No inflammable, explosive or dangerous fluids or substances shall be used or kept by Tenant in the Premises, Building or about the Property, except for those substances as are typically found in similar premises used for general office purposes and are being used by Tenant in a safe manner and in accordance with all applicable Laws. Tenant shall not, without Landlord's prior written consent, use, store, install, spill, remove, release or dispose of, within or about the Premises or any other portion of the Property, any asbestos-containing materials or any solid, liquid or gaseous material now or subsequently considered toxic or hazardous under the provisions of 42 U.S.C. Section 9601 et seq., M.G.L. c. 21C, M.G.L. c. 21E or any other applicable environmental Law which may now or later be in effect. Tenant shall comply with all Laws pertaining to and governing the use of these materials by Tenant and shall remain solely liable for the costs of abatement and removal.

13. Tenant shall not use or occupy the Premises in any manner or for any purpose which might injure the reputation or impair the present or future value of the Premises or the Building. Tenant shall not use, or permit any part of the Premises to be used for lodging, sleeping or for any illegal purpose.

14. Tenant shall not take any action which would violate Landlord's labor contracts or which would cause a work stoppage, picketing, labor disruption or dispute or interfere with Landlord's or any other tenant's or occupant's business or with the rights and privileges of any person lawfully in the Building ("**Labor Disruption**"). Tenant shall take the actions necessary to resolve the Labor Disruption, and shall have pickets removed and, at the request of Landlord, immediately terminate any work in the Premises that gave rise to the Labor Disruption, until Landlord gives its written consent for the work to resume. Tenant shall have no claim for damages against Landlord or any of the Landlord Related Parties nor shall the Commencement Date of the Term be extended as a result of the above actions.

15. Tenant shall not install, operate or maintain in the Premises or in any other area of the Building, electrical equipment that would overload the electrical system beyond its capacity for proper, efficient and safe operation as determined solely by Landlord. Tenant shall not furnish cooling or heating to the Premises, including, without limitation, the use of electric or gas heating devices, without Landlord's prior written consent. Tenant shall not use more than its proportionate share of telephone lines and other telecommunication facilities available to service the Building.

16. Tenant shall not operate or permit to be operated a coin or token operated vending machine or similar device (including, without limitation, telephones, lockers, toilets, scales, amusement devices and machines for sale of beverages, foods, candy, cigarettes and other goods), except for machines for the exclusive use of Tenant's employees and invitees.

17. Bicycles and other vehicles are not permitted inside the Building or on the walkways outside the Building, except in areas designated by Landlord.

18. Landlord may from time to time adopt systems and procedures for the security and safety of the Building and Property, their occupants, entry, use and contents. Tenant, its agents, employees, contractors, guests and invitees shall comply with Landlord's systems and procedures.

19. Landlord shall have the right to prohibit the use of the name of the Building or any other publicity by Tenant that in Landlord's sole opinion may impair the reputation of the Building or its desirability. Upon written notice from Landlord, Tenant shall refrain from and discontinue such publicity immediately.

20. Neither Tenant nor its agents, employees, contractors, guests or invitees shall smoke or permit smoking in the Common Areas, unless a portion of the Common Areas have been declared a designated smoking area by Landlord, nor shall the above parties allow smoke from the Premises to emanate into the Common Areas or any other part of the Building. Landlord shall have the right to designate the Building (including the Premises) as a nonsmoking building.

21. Landlord shall have the right to designate and approve standard window coverings for the Premises and to establish rules to assure that the Building presents a uniform exterior appearance. Tenant shall ensure, to the extent reasonably practicable, that window coverings are closed on windows in the Premises while they are exposed to the direct rays of the sun.

22. Deliveries to and from the Premises shall be made only at the times in the areas and through the entrances and exits reasonably designated by Landlord. Tenant shall not make deliveries to or from the Premises in a manner that might interfere with the use by any other tenant of its premises or of the Common Areas, any pedestrian use, or any use which is inconsistent with good business practice.

23. The work of cleaning personnel shall not be hindered by Tenant after 5:30 P.M., and cleaning work may be done at any time when the offices are vacant. Windows, doors and fixtures may be cleaned at any time. Tenant shall provide adequate waste and rubbish receptacles to prevent unreasonable hardship to the cleaning service.

24. Tenant shall cause its employees, agents, invitees and contractors to comply with Landlord's smoking policy for the Building and the Park, which may be communicated to Tenant from time to time (e.g. smokers to use only designated outside area(s)).

25. Tenant shall at all times cause its employees, agents, invitees and contractors to obey posted speed limits within the Park.

**EXHIBIT F**

**ADDITIONAL PROVISIONS**

**I. PARKING.**

Landlord agrees that during the term of this Lease, Tenant shall have the right (at no additional charge) to use forty-three (43) non-designated parking spaces (based on a ratio of 3.25 spaces per 1,000 rentable square feet of the Premises) as may be reasonably necessary to accommodate officers, employees, guests, invitees and clients, in connection with the operation of its business following the Commencement Date. Tenant's parking spaces shall be located in the areas designated at the Park by Landlord from time to time in its sole discretion, including, without limitation, some or all of such spaces in the parking garage in the Park. At Landlord's election and at no cost to Tenant, Landlord may designate parking spaces for exclusive use by Tenant and other tenants of the Property and may install signage or implement a pass or sticker system to control parking use, and may employ valet parking to meet the requirements of this Section. To the extent applicable to Tenant's use of the parking spaces, the provisions of the Lease shall apply, including rules and regulations of general applicability from time to time promulgated by Landlord.



## LICENSE AGREEMENT

This **LICENSE AGREEMENT** (this “**Agreement**”) is made and entered into as of June 29, 2015 (the “**Effective Date**”), by and among scPharmaceuticals Inc., having an address at 131 Hartwell Avenue, Suite 215, Lexington, MA 02421 (“**scPharma**”) and Sensile Medical AG, having an address at Fabrikstrasse 10, CH-4614 Hägendorf, Switzerland (“**Sensile Med**”) and Sensile Holding AG (“**Sensile Holding**”) and Sensile Patent AG (“**Sensile Patent**”), both having an address at Zuger Strasse 76b, CH-6340, Baar, Switzerland (Sensile Med, Sensile Holding and Sensile Patent together in any combination, “**Sensile**”) (each of scPharma, Sensile Med, Sensile Holding and Sensile Patent, a “**Party**” and, collectively, the “**Parties**”),

## WITNESSETH

**WHEREAS**, the Parties have executed a Strategic Partnership Agreement dated March 18, 2013 (the “**Original Partnership Agreement**”) and an amendment to the Original Partnership Agreement dated January 31, 2014 (the Original Partnership Agreement as amended shall be referred to herein as the “**Partnership Agreement**”);

**WHEREAS**, the Parties have executed a Device Development Agreement pertaining to a Drug/Device combination for loop diuretics dated March 22, 2013 (the “**Original Development Agreement**”), an amendment to the Original Development Agreement on July 29th 2013, and a second amendment on February 17, 2014 (the Original Development Agreement as amended shall be referred to herein as the “**Development Agreement**”);

**WHEREAS**, scPharma and Sensile Holding have executed a Development Option Agreement dated June 24, 2013 (“**Original Option Agreement**”) and a Notice of Exercise of Option to Develop and Commercialize dated October 31, 2013 (“**Notice of Exercise**”) (the Original Option Agreement together with the Notice of Exercise shall be referred to herein as the “**Option Agreement**”);

**WHEREAS**, the Parties have executed an Omnibus Amendment dated February 28, 2014, amending and clarifying provisions in said agreements;

**WHEREAS**, the Partnership Agreement together with the Development Agreement and Option Agreement, as amended by the Omnibus Amendment, shall be referred to herein as the “**Original Agreements**”;

**WHEREAS**, Sensile is the developer and manufacturer of advanced drug delivery devices, and owns certain technology relating to the Pump (as defined herein) and related mechanisms which collectively constitute a Device (as defined herein);

**WHEREAS**, scPharma is a biotechnology company developing biopharmaceutical drug/device products; and

**WHEREAS**, the Parties are collaborating on the development and commercialization of certain drug/device combinations with scPharma contributing Drug-related development and Sensile contributing Device-related development.

**NOW, THEREFORE**, in consideration of the mutual covenants contained herein, and for other good and valuable consideration, the sufficiency of which is acknowledged, the Parties hereby agree as follows:

1. DEFINITIONS

The following terms shall have the meanings assigned to them below for purposes of this Agreement:

**“Affiliate”** means any corporation or non-corporate entity, which directly or indirectly controls, is controlled by, or is under common control with a Party. A corporation or noncorporate entity shall be regarded as in control of another corporation if it owns or directly or indirectly controls at least fifty percent (50%) of the voting stock of the other corporation or (i) in the absence of the ownership of at least fifty percent (50%) of the voting stock of a corporation or (ii) in the case of a non-corporate entity, the power to direct or cause the direction of the management and policies of such corporation or non-corporate entity, as applicable.

**“Clinical Trial”** means a clinical study designed to investigate the safety, efficacy, economic or other aspects of a treatment, which may be conducted in support of Regulatory Approval, for marketing purposes or to investigate the utility in a particular clinical setting. For purposes of clarity, Clinical Trials include phase I, phase II, phase III or phase IV clinical trials.

**“Confidential Information”** means, subject to the exceptions set forth in the following sentence, any information or data, regardless of whether it is in tangible form, disclosed by either Party (the **“Disclosing Party”**) that the Disclosing Party has either marked as confidential or proprietary, or has identified in writing as confidential or proprietary within thirty (30) days of disclosure to the other Party (the **“Receiving Party”**); provided, however, that information or data related to or regarding a Disclosing Party’s business plans, strategies, technology, research and development, current and prospective customers, and products or services shall be deemed Confidential Information of the Disclosing Party even if not so marked or identified, unless such information is the subject of any of the exceptions set forth in the following sentence. Information and data will not be deemed Confidential Information hereunder if such information: (a) is known to the Receiving Party prior to receipt from the Disclosing Party directly or indirectly from a source other than one having an obligation of confidentiality to the Disclosing Party; (b) becomes known (independently of disclosure by the Disclosing Party) to the Receiving Party directly or indirectly from a source other than one having an obligation of confidentiality to the Disclosing Party; (c) becomes publicly known or otherwise ceases to be secret or confidential, except through a breach of this Agreement by the Receiving Party; or (d) is independently developed by the Receiving Party without use of the Disclosing Party’s Confidential Information.

**“Control”** or **“Controlled”** means that a party has the right, without needing to seek further consent, or to otherwise breach any obligation upon it, to transfer, disclose, license or make available to another the relevant right or asset (as the context requires).

**“Cover”** means with respect to any product, component or process, that an Intellectual Property Right (or, if such Intellectual Property Right is a Patent Right, that a valid claim of such Patent Right) owned or Controlled by a Party would, absent a license thereunder or ownership thereof, be infringed or misappropriated by the use, development, having developed, making, having made, sell, having sold, offering for sale, importing, having imported, exporting, having exported or otherwise exploiting or having exploited of a product, component or process in the

Territory in the Field of Use, provided however, that in determining whether a valid claim that is a claim of a pending patent application would be infringed, it shall be treated as if issued as then currently prosecuted. Cognates of the word "Cover" shall have correlative meanings.

**"Develop"** means to discover, research, design or otherwise develop the Device or a process to produce the Device, or perform regulatory activities or production planning for the Device, in accordance with a Development Plan. **"Development"** means any and all activities directed to the discovery, research, design, development, regulatory activities and production planning of the Device, as mutually agreed upon by the Parties in a Development Plan.

**"Development Plan"** means a plan containing the description of the Development activities for the Device.

**"Device"** means a mini drug delivery pump device that includes a Pump, Disposable Component and Reusable Component and other components.

**"Disposable Component"** shall mean a device component comprised of the Pump, fluid path and other components, that is designed to be (i) combined with the Reusable Component, (ii) suitable for single-use administration of a Drug and (iii) discarded or recycled after such use.

**"Drug"** means any biopharmaceutical product that scPharma wishes to develop for subcutaneous administration by means of a drug/device combination.

**"Excluded Field"** means (i) pharmaceutical products for the treatment of diabetes based on the SenseCore Technology, (ii) use with dopaminergic therapy based on the SenseCore Technology, (iii) oncology drugs and biosimilars thereof based on the SenseCore Technology, (iv) to the extent exclusivity has been granted to a Third Party under an existing agreement with Sensile as of the Effective Date of the Omnibus Amendment, diabetes, neurology, pain management, general infusion, enteral nutrition, dopaminergic therapy, oncology and neonatology, and (v) to the extent exclusivity may be granted to a Third Party by Sensile in the future, products outside the Exclusive Areas.

**"Exclusive Areas"** means Generics in the field of

- (i) loop diuretics,
- (ii) glycopeptide antibiotics,
- (iii) cephalosporins,
- (iv) inotropes, vasopressors, anti-arrhythmics, heart failure medications and calcium channel blockers, in each case, for cardiovascular diseases,
- (v) antibiotics, antifungals and antivirals, in each case, for infectious diseases,
- (vi) infertility medications and iron chelation therapies, in each case, for hematology or infertility that are suitable for subcutaneous administration and
- (vii) pandemic response applications and projects funded by the US government or other US public source

“**FDA**” means the United States Food and Drug Administration or any successor agency thereto.

“**Field of Use**” means Development and commercialization of a Product for subcutaneous administration based on the SenseCore Technology, in the Exclusive Areas.

“**Generic**” or “**Generics**” means a drug or biologic which is no longer subject to patent or regulatory exclusivity.

“**Improvement**” means any invention or discovery that is conceived or first reduced to practice during performance of the Development activities, whether invented or discovered solely by scPharma, solely by Sensile or jointly by scPharma and Sensile.

“**Intellectual Property Rights**” means (i) Patent Rights, (ii) Know-How, (iii) rights associated with Know-How that are works of authorship including copyrights, copyright applications, and copyright registrations; and (iv) rights in any trade names, trademarks, service marks, domain names, logos, trade dress and brand features.

“**Know-How**” means all information, whether tangible or intangible and whether patentable or not patentable, including inventions, technologies, know-how, research and formulation methods, proprietary information, processes, procedures, techniques, algorithms, programs, discoveries, improvements, devices, pharmaceuticals, biologics, products, concepts, designs, prototypes, samples, ideas, models, technical information, materials, drawings, specifications, trade secrets, data and results.

“**Laws**” means all applicable laws, regulations, rules or orders.

“**NDA**” means a New Drug Application submitted to the FDA in the United States in accordance with the United States Federal Food, Drug and Cosmetic Act, as amended, and the rules and regulations promulgated thereunder, with respect to a pharmaceutical product.

“**Net Sales**” shall mean the gross amount received by scPharma or its Affiliate from a Third Party for the applicable Product, less the following;

- (a) the cost of the applicable Device and other fees paid by scPharma to Sensile;
- (b) any payment (including, but not limited to, royalties or other license fees) to one or more Third Parties to obtain a patent license in the absence of which scPharma could not legally make, import, use, sell, or offer for sale the Product that includes the applicable Device;
- (c) customary trade, quantity, or cash discounts to the extent actually allowed and taken;
- (d) amounts repaid or credited by reason of rejection or return;
- (e) any taxes or other governmental charges levied on the production, sale, transportation, delivery, or use of a Product which is paid by or on behalf of scPharma; and

(f) outbound transportation and distribution costs prepaid or allowed and costs of insurance in transit.

**“Patent Rights”** shall mean (i) all patents and patent applications in any country or supranational jurisdiction; and (ii) any provisionals, substitutions, divisions, continuations, continuations in part, reissues, renewals, registrations, confirmations, reexaminations, extensions, supplementary protection certificates and the like, of any such patents or patent applications.

**“Pre-Existing Intellectual Property”** shall mean any and all Intellectual Property Rights existing as of March 18, 2013.

**“Product”** means a combined product consisting of a Drug and a Device.

**“Pump”** means the disposable rotary-piston pump developed and owned or controlled by Sensile for use in the Device.

**“Regulatory Approval”** means the approvals, licenses, registrations, or authorizations granted or issued by any national, regional, state or local governmental entities and agencies, necessary for the development, registration, manufacture, use, transport, export, import, promotion or sale of the Product in a country, including pricing and reimbursement approvals to the extent the applicable regulatory authorities in such country require a pricing or reimbursement approval prior to commercialization of a Product in such country.

**“Regulatory Authority”** means any applicable regulatory and/or governmental body or bodies having jurisdiction over a Drug, the Device or the Product in the Territory.

**“Reusable Component”** shall mean a device component comprised of the motor, battery, electronics for operations and other components, that is designed to be (i) combined with the Disposable Component and (ii) suitable for multiple Drug administration when used with the Disposable Component.

**“scPharma Inventions”** shall mean all Intellectual Property Rights comprising or in, to or that claim or Cover any and all (a) Products, (b) components of any and all Products, (c) Drugs, and (d) Improvements of any and all of the foregoing, in each case, which result or arise from the Development activities (including in the development, testing or manufacture of any of the foregoing), whether by Sensile or scPharma, or their respective personnel or subcontractors, jointly or individually. scPharma Inventions do not include any technology specifically described under Sensile Inventions.

**“SenseCore Technology”** means the Intellectual Property Rights Covering the Pump.

**“Sensile Inventions”** means all Intellectual Property Rights comprising or in, to, or that claim or Cover (a) the Device, (b) manufacturing processes for the Device, and (c) Improvements of any and all of the foregoing, in each case, which result or arise from the Development activities, whether by Sensile or scPharma, or their respective personnel or subcontractors, jointly or individually and which are not specific to the Device, including without limitation the patents listed on Schedule 1.1.

“**Sensile Pre-Existing Intellectual Property**” means Pre-Existing Intellectual Property, owned or Controlled by Sensile Med, Sensile Holding or Sensile Patent, including the Intellectual Property Rights listed on Schedule 1.2.

“**Supply Cost**” means the cost of the applicable Device and other fees paid by scPharma to Sensile and/or to other manufactures of the Device and/or its components.

“**Term**” means as defined in Section 10 below.

“**Territory**” means worldwide.

“**Third Party**” means any party other than Sensile, scPharma and their respective

## 2. LICENSE

2.1 Exclusive License Grant. During the Term and subject to the terms of this Agreement, Sensile hereby grants and agrees to grant to scPharma an exclusive (even as to Sensile), worldwide license, with a limited right to sublicense (as described below), under the Sensile Pre-Existing Intellectual Property and Sensile Inventions, to use, have used, Develop, have Developed, sell, offer for sale, import and export the Products, Devices and subsequent modifications, enhancements, improvements or versions thereof in the Field of Use, including to perform the Development activities required to commercialize Products in the Field of Use (the “**License**”).

2.2 Manufacturing License Grant. In the event scPharma engages itself or an alternative supplier, effective upon the date of notice delivered to Sensile by scPharma therefor (“**Alternative Supplier Notice**”), Sensile hereby grants and agrees to grant to scPharma an exclusive, worldwide license, with a limited right to sublicense (as described below), under the Sensile Pre-Existing Intellectual Property and Sensile Inventions to make or have made Products, Devices and subsequent modifications, enhancements, improvements or versions thereof in the Field of Use (“**Manufacturing License**”). The Manufacturing License shall become part of the License on the date of the Alternative Supplier Notice. Sensile shall have the right to approve each alternative supplier, which approval shall not be unreasonably withheld or delayed. Sensile shall provide such alternative supplier with sufficient information to permit such alternative supplier to manufacture the Device, and shall exercise best efforts to support the manufacture of the Device by such supplier. [\*\*\*].

2.3 Sublicensing. Sensile hereby grants and agrees to grant to scPharma, subject to these limitations, the exclusive right to sublicense its rights under the License to make, have made, sell, offer for sale, import and export Products, Devices and subsequent modifications, enhancements, improvements or versions thereof by an Affiliate or Third Party manufacturer or distributor, in each case, on behalf of scPharma, in the Field of Use (License and such right to sublicense, the “**Exclusive License**”).

2.4 Exclusivity. The continuation of exclusivity in the Exclusive License shall be subject to Section 2.6. In the event additional exclusive fields are added in accordance with Section 2.7, the License shall be exclusive as agreed by the Parties for such Additional Field (defined below), and the definitions of Exclusive Areas and Field of Use shall be deemed to include such, additional exclusive fields.

2.5 **No Implied Licenses.** Except as expressly set forth in this Agreement, neither Party shall be deemed to have granted to the other Party (by implication, estoppel or otherwise), any other licenses, rights, title, or interest in or to any other Intellectual Property Rights Controlled by a Party.

2.6 **Exclusivity Lapses.** Exclusivity of the License shall be subject to the achievement of the following milestones. At all times, Sensile shall work diligently with scPharma to Develop and commercialize Products and Devices in the Field of Use. In the event of a delay in the Development timelines attributable to Sensile or factors outside of scPharma's control, the Parties will work together in good faith to adjust such timelines and corresponding milestones. In the event that any of these milestones are not met, scPharma will have [\*\*\*] after the applicable milestone to submit a written plan to Sensile for the achievement of such milestone. scPharma and Sensile will negotiate in good faith for up to [\*\*\*] the plan for the achievement of the milestone. If scPharma does not achieve the milestone by the end of such [\*\*\*] negotiation period or, if later, the date on which the Parties agree in writing, only Sensile shall have the right to determine the following: That the exclusivity of the Exclusive License shall lapse with respect to the applicable country or territory and the applicable Exclusive Area and such portion of the Exclusive License shall become non-exclusive, in each case effective upon receipt by scPharma of a notice (the "**Conversion Notice**") therefor. Such expiration of exclusivity shall not affect scPharma's right, and Sensile's obligation to work with scPharma, under this Agreement and the Original Agreements to research and develop any Device, and the Parties will continue to research and develop such Device in accordance with the terms and conditions of this Agreement and the applicable Development Plan. Exclusivity of the License shall lapse on an Exclusive Area-by-Exclusive Area basis in accordance with the following terms.

(a) **Loop Diuretics Exclusivity.** The License shall convert from an exclusive license to a non-exclusive license in the field of loop diuretics in the event scPharma does not meet the following milestones:

- (i) the filing with the FDA of an NDA, as appropriate, or filing with the appropriate Regulatory Authority in the European Union of a similar application or filing (including a CE marking application), in either case for a Product in the field of loop diuretics [\*\*\*];
- (ii) the first commercial sale in the United States or European Union, as applicable, of a Product within [\*\*\*] after Regulatory Approval for sales of a Product in the field of loop diuretics in the United States or European Union; provided, however, that if such milestone is not achieved, only exclusivity in the applicable country or geographic territory in which the milestone was not achieved shall expire;
- (iii) [\*\*\*];
- (iv) the failure to file an NDA or CE mark application in the United States or European Union (each a "**Major Market Territory**"), as applicable, within [\*\*\*] after first commercial sale of the applicable Product in the first Major Market Territory for which such an application was filed pursuant to clause (i) above; provided, however, that if such milestone is not achieved, only exclusivity in the applicable country or geographic territory for which the applicable application has not been filed shall expire,

(v) for countries outside the United States and European Union, the failure to initiate a regulatory filing within [\*\*\*] after the first commercial sale of the applicable Product in the United States; provided, however, that if such milestone is not achieved, only exclusivity in the country or territory for which a regulatory filing was not initiated shall expire; and

(vi) the failure of the FDA to approve the Product within [\*\*\*] after filing the applicable NDA; provided however, that if such milestone is not achieved, only exclusivity in the United States shall expire.

## 2.7 Additional Fields.

(a) From time to time scPharma may wish to Develop or commercialize a drug-device combination based on an existing Device for subcutaneous administration based on the SenseCore Technology in fields outside the then-current Field of Use, excluding the Excluded Field (“**Additional Field**”). In that event, scPharma will provide Sensile written notice of its intentions and the applicable Additional Field. Sensile will respond to such notice within [\*\*\*] to: (i) if Sensile has an alternate business interest pertaining to a drug/device combination that would preclude scPharma’s development and commercialization plan, Sensile shall so inform scPharma, or (ii) if Sensile does not have such an interest, Sensile will send scPharma a notice of acceptance (“**Notice of Acceptance**”) and grant scPharma a period of exclusive evaluation and negotiation for [\*\*\*], during which Sensile and its Affiliates will cooperate in good faith with scPharma with respect to the evaluation of the intended Product. In the event that the Development of any such Product requires additional Development activities, the Parties shall negotiate in good faith a Development Plan for such Product within [\*\*\*] of the date of the Notice of Acceptance from Sensile and negotiate in good faith reasonable and customary Development charges that may apply. Any such Product shall be subject to the Per-Unit Fee set forth in Section 3.1(a).

(b) In the event scPharma desires exclusivity for such Product and/or in an Additional Field, scPharma will notify Sensile in writing the scope of the desired exclusivity (such notice, the “**Additional Field Notice**”), Such exclusivity may be defined by the applicable Drug, the Drug class, the intended use, or a therapeutic area. If such exclusivity is requested by scPharma, scPharma’s notice will contain certain milestones required to maintain such exclusivity. Such milestones may relate to [\*\*\*]. Sensile shall respond to such exclusivity request within [\*\*\*] with acceptance or denial of the request for exclusivity. In the event Sensile accepts such request by written notice to scPharma (the “**Exclusivity Acceptance Notice**”), scPharma shall pay Sensile a royalty on Net Sales of such Product as set forth in Section 3 below. For each Additional Field granted to scPharma exclusively, the Incremental Disposable Units volume established in Exhibit 2.6(a) will be added to the Minimum Volumes. The following example is to clarify the aggregate minimum volumes: [\*\*\*].

(c) In the event scPharma has not requested exclusivity by means of an Additional Field Notice, Sensile may elect to grant scPharma exclusivity for the class of therapeutic agents to which the Product belongs, in exchange a royalty on Net Sales of such Product as set forth in Section 3 below.

## 3. FEES AND PAYMENT

### 3.1 Consideration.



(a) **Per-Unit Fee.** scPharma will pay Sensile the per unit prices set forth in Schedule 3.1(a) for each Reusable Component and Disposable Component included in a product sold to a Third Party or used in clinical trials (the “**Reusable Component Per-Unit Fee**” and “**Disposable Component Per-Unit Fee**,” respectively, and collectively, the “**Per-Unit Fee**”) For avoidance of doubt, no Per-Unit Fee is payable for units used in release testing or for samples.

(b) **Royalty on Net Sales.** scPharma will pay Sensile a [\*\*\*] royalty on Net Sales of Products. In the event the exclusivity lapses under Section 2.6 or Sensile materially breaches an obligation (including with respect to scPharma’s ability to maintain exclusivity), then with respect to the countr(y)/(ies) or Product(s) for which scPharma no longer has exclusivity, all royalty obligations shall immediately cease.

3.2 **Sales Reports.** Within [\*\*\*] of the end of each calendar quarter, scPharma shall deliver to Sensile a report setting forth, for such calendar quarter, the following information, on a Product-by-Product, country-by-country and Territory-wide basis: (a) Net Sales of each Product, (b) units sold of each Product, (c) the Per-Unit Price due for the sale of Products, (d) the royalty payment due hereunder, and (e) the basis for any adjustments to the royalty payment or Per-Unit Prices payable for such calendar quarter. The total royalty and Per-Unit Price due for the sale of all such Products during such calendar quarter shall be remitted [\*\*\*].

3.3 **Royalty Terms.** The obligation to pay royalties under this Agreement shall be imposed only once with respect to any sale of any Product to end users/distributors, and shall not attach with respect to any intra-company transfers between scPharma Affiliates. With respect to any particular Product in any particular country, scPharma shall only be obligated to pay royalties during the period during which the sale, offer for sale or importation of such Product in such country would infringe, but for the license granted herein, a valid claim in a Patent Right included in the Sensile Pre-Existing Intellectual Property or Sensile Inventions covering such Product in such country.

3.4 **Payments.** Late payments for amounts that are not the subject of a good faith dispute shall accrue interest [\*\*\*]. All payments due hereunder to Sensile shall be made in United States Dollars, and are exclusive of all sales, use, value added, withholding and other taxes and duties. Payments will be made via wire transfer to the account specified by Sensile in writing from time to time,

3.5 **Books and Records.** scPharma shall keep books and accounts of record in connection with the sale of Products in sufficient detail to permit accurate determination of all figures necessary for verification of royalties to be paid hereunder. scPharma shall maintain such records for a period of [\*\*\*] after the end of the calendar quarter in which they were generated. All reports and financial information of scPharma shall be deemed to be scPharma’s Confidential Information and subject to the provisions of Section 4.

3.6 **Audit Right.** Upon [\*\*\*] prior written notice, a public accounting firm engaged by Sensile and to which scPharma has no reasonable objection shall have the right to inspect the books of account, records, documents and instruments of scPharma related to the sales of Products [\*\*\*], at any time during regular business hours during the term of this Agreement to ascertain the accuracy of such records; *provided, however*, that such audits may not be performed by Sensile more than once per calendar year and that Sensile shall not be permitted to audit the same period of time more than once. Such accountant, prior to any

review hereunder, shall have entered into an appropriate confidentiality agreement with scPharma and shall have been instructed not to reveal to Sensile the details of its review information presented in a summary fashion as is necessary to report the accountant's conclusions to Sensile. The calculation of all amounts with respect to each calendar quarter shall be binding and conclusive upon both Parties [\*\*\*] after the close of said quarter. [\*\*\*]

#### 4. CONFIDENTIALITY

4.1 Confidentiality Obligations. The Receiving Party acknowledges that it will have access to the Disclosing Party's Confidential Information. The Receiving Party agrees that it will not (a) use any such Confidential Information in any way, for its own account or the account of any Third Party, except for the exercise of its rights and performance of its obligations under this Agreement, or (b) disclose any such Confidential Information to any person or entity, other than furnishing such Confidential Information to (i) its employees, contractors and consultants who are required to have access to the Confidential Information in connection with the exercise of Receiving Party's rights or performance of its obligations under this Agreement and (ii) its accountants and advisors who have a "need-to-know" for the purpose of providing services to such Party; *provided, however,* any and all of the above-described employees, contractors, consultants and advisers are bound by written agreements or, in the case of attorneys or other professional advisers, formal ethical duties, requiring to treat, hold and maintain such Confidential Information in accordance with the terms and conditions of this Section 4 or for the purpose of evaluating the applicable investment, loan or acquisition. The Receiving Party agrees that it will not allow any unauthorized person access to the Disclosing Party's Confidential Information, and that the Receiving Party will take all action reasonably necessary to protect the confidentiality of such Confidential Information, including implementing and enforcing procedures to minimize the possibility of unauthorized use or copying of such Confidential Information.

4.2 Disclosures Required by Law. In the event the disclosure of the Disclosing Party's Confidential Information is required by applicable law, judicial or regulatory subpoena, Receiving Party shall provide Disclosing Party with prompt written notice of any such requirement in order to afford Disclosing Party time either to seek an appropriate protective order (or other remedy) or a waiver of compliance therewith. If such order or other remedy is not obtained, Receiving Party shall disclose only that portion of the applicable Confidential Information that, in the opinion of counsel to such Party, is legally required to be disclosed and shall exercise all reasonable efforts to obtain assurances that confidential treatment will be accorded the applicable information. Receiving Party shall cooperate reasonably with Disclosing Party in all respects in seeking to obtain a protective order or other remedy or otherwise to diligently contest or limit the required disclosure.

#### 4.3 Terms of this Agreement.

(a) Confidentiality. Neither Party will disclose any of the terms of this Agreement to any Third Party without the prior written consent of the other Party. Notwithstanding the foregoing, either Party may disclose such terms:

- (i) to (A) its accountants and advisors who have a "need-to-know" for the purpose of providing services to such Party and
- (B) existing and potential investors, lenders, acquirers, collaboration and/or co-development partners, distributors, reseller, licensees and the accountants and advisors of any of the foregoing; provided that any such recipient under either of the foregoing clauses (A) or (B) is bound by a

written agreement (or in the case of attorneys or other professional advisors, formal ethical duties) requiring such recipient to treat, hold and maintain the terms of this Agreement on a confidential basis, and

(ii) in order to comply with an applicable judicial process, if in the reasonable opinion of such Party's counsel, such disclosure is necessary for such compliance, provided that such Party shall notify the other Party of such Party's intent to make any such disclosure sufficiently prior to making such disclosure so as to allow such other Party adequate time to review and comment on such disclosure and further to take whatever action it may deem appropriate to protect the confidentiality of the information to be disclosed.

(b) Legal and Regulatory Requirements. This Agreement and terms hereof may be disclosed as otherwise required pursuant to applicable law, regulation, stock market or stock exchange rule or rule of a self-regulatory organization (e.g., rules or regulations of the United States Securities and Exchange Commission, the NASDAQ or the NYSE); provided that a Party proposing to make such a disclosure as required by law, rule or regulation shall inform the other Party a reasonable time prior to such required disclosure, shall provide the other Party with a copy of the text of such proposed disclosure sufficiently in advance of the proposed disclosure to afford such other Party a reasonable opportunity to review and comment upon the proposed disclosure (including, if applicable, the redacted version of this Agreement) and shall reasonably consider, consistent with applicable law, rule and regulation (including interpretations thereof), the requests of the other Party regarding confidential treatment for such disclosure. Without limiting any of the foregoing, the filing Party shall request confidential treatment of sensitive provisions of the Agreement to the extent permitted by applicable laws and as reasonably practicable.

## 5. REPRESENTATIONS, WARRANTIES AND COVENANTS

5.1 Authority. Each Party represents, warrants and covenants to the other Party that (a) it has all requisite power and authority (corporate and otherwise) to enter into this Agreement and this Agreement has been duly and validly executed and delivered by it; (b) all necessary consents, approvals and authorizations of all government authorities and other persons required will be obtained by the Effective Date in connection with the execution, delivery and performance of this Agreement; (c) its execution and delivery of this Agreement and the performance of its obligations hereunder do not and will not conflict with, or result in a breach of, or a default under, its organizational instruments or any other agreement, instrument, order, or law applicable to it or by which it may be bound.

5.2 Intellectual Property. Sensile represents, warrants and covenants to scPharma that, with respect to any Intellectual Property subject to this Agreement, (a) there is no claim, suit, proceeding, or other investigation pending, nor to the actual knowledge of such Party, overtly threatened, which is likely to prevent or materially interfere with such Party's timely performance under this Agreement, (b) it is the sole and exclusive owner of the Sensile Pre-Existing Intellectual Property and Sensile Inventions, all of which is free and clear of any claims, liens, charges or encumbrances, (c) it has the right to grant the licenses granted herein, and this Agreement, including the grant of the licenses herein, shall not violate or breach any other existing obligation of Sensile to any Third Party. Sensile represents, warrants and covenants to scPharma that, to the best of its knowledge, the Sensile Pre-Existing Intellectual Property and Sensile Inventions are subsisting, valid and enforceable in each jurisdiction in which presently pending. Sensile's employees and subcontractors have executed, or will

execute, prior to performing any activities under the Development Plan or otherwise performing services contemplated by or exercising rights or fulfilling obligations on behalf of Sensile under this Agreement, written intellectual property assignment and confidentiality and nondisclosure agreements sufficient to enable each Party to exercise its respective rights and comply with its respective intellectual property and confidentiality obligations under this Agreement. In particular, Sensile Patent AG represents and warrants that it owns the rights, title, and interest in the Sensile Pre-Existing Intellectual Property and Sensile Inventions based on each inventor either (A) having been an employee of Sensile Medical AG at the time of conception and production of the invention disclosed and/or claimed in the one or more Licensed Patents on the basis that the invention was made in the course of their work for Sensile Medical AG and in performance of their contractual obligations, and Sensile Medical AG having then assigned all rights, title, and interest in the Licensed Patents to Sensile Patent AG via a valid assignment agreement, or (B) or having assigned all rights, title, and interests of the one or more Licensed Patents on which that inventor is named to Ecole Polytechnique Federale De Lausanne (EPFL) of Lausanne, Switzerland, and EPFL having then assigned all rights, title, and interest in the Licensed Patents to Sensile Patent AG via a valid assignment agreement.

5.3 Third Party Licenses. Without limitation to any other representation, warranty or covenant, Sensile represents, warrants and covenants that, as needed and reasonably feasible, Sensile shall seek out a license, at no cost to scPharma, to ensure the unencumbered use of the Device by scPharma.

5.4 Disclaimer. EXCEPT AS EXPRESSLY SET FORTH HEREIN, EACH PARTY DISCLAIMS ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, NON-INFRINGEMENT, OR FITNESS FOR A PARTICULAR PURPOSE. NEITHER PARTY WARRANTS THAT THE RESULTS OF THE DEVELOPMENT ACTIVITIES OR THE DEVICE WILL BE IN ACCORDANCE WITH THE EXPECTATIONS OF THE OTHER PARTY OR WILL PRODUCE OR RESULT IN THE DESIRED END PRODUCT, THAT THE DEVICE WILL BE SAFE, EFFECTIVE, OR COMMERCIALY VIABLE, OR THAT THE DEVICE WILL BE APPROVED BY ANY REGULATORY AUTHORITY. THE FOREGOING DISCLAIMER SHALL APPLY EVEN IF A PARTY HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH WARRANTY, AND NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF SUCH WARRANTY.

## 6. OWNERSHIP OF INVENTIONS AND INTELLECTUAL PROPERTY RIGHTS

### 6.1 Ownership.

(a) Inventions. Each Party's ownership of Pre-Existing Intellectual Property is not affected by this Agreement, and neither Party shall have any claims to or rights in any Pre-existing Intellectual Property of the other Party, except as expressly provided for in this Section 6. Sensile shall be the sole owner of Sensile Inventions, and scPharma shall be the sole owner of scPharma Inventions, The Parties agree to promptly and fully disclose any and all scPharma Inventions and Sensile Inventions to each other in writing. To the extent scPharma has any rights in Sensile Inventions, scPharma hereby assigns and agrees to assign to Sensile all of its Intellectual Property and proprietary rights, title and interest in and to Sensile Inventions; and all rights of action and claims for damages and benefits arising due to past and present infringement of said rights. To the extent Sensile has any rights in the scPharma Inventions, Sensile hereby assigns and agrees to assign to scPharma all of its Intellectual Property and proprietary rights, title and interest in and to the scPharma Inventions; and all rights of action and claims for damages and benefits arising due to past and present infringement of said rights.

(b) **Clinical Trial Results.** With the exception of Sensile Inventions in the Clinical Trial Results (defined below), notwithstanding anything to the contrary in any of the Original Agreements, to the extent allowable under applicable law, scPharma shall own all right, title and interest in and to the data, results, discoveries, material, methods, processes, knowledge, know-how, experience, patentable or non-patentable inventions, technology and information of any type whatsoever arising from, or discovered or reduced to practice within the framework of, conducting a Clinical Trial (“**Clinical Trial Results**”). “Clinical Trial Results” further means any and all tangible forms, which embody or contain the Clinical Trial Results. The Clinical Trial Results shall be deemed to be Confidential Information proprietary to scPharma. Notwithstanding anything to the contrary in any of the Original Agreements, scPharma shall have no obligation to share any portion of the Clinical Trial Results with Sensile Med or Sensile Holding. For the avoidance of doubt, Sensile shall have<sup>1</sup> no right, title or interest in or to the Clinical Trial Results.

(c) **Molds, Tools and Equipment.** Notwithstanding anything to the contrary in the Original Agreements, scPharma shall be the owner of all molds, tools, and equipment designed specifically for the making of each Device.

(d) Molds, tools, and equipment related to the manufacturing of the SenseCore pump components (Pump shaft and Pump housing) shall not be changed or modified without the explicit consent of Sensile, which consent shall not be unreasonably withheld, delayed or conditioned.

(e) **Use of Devices in Marketing.** Prototypes, Devices and Device components developed under this Agreements for scPharma may be of value to Sensile in its marketing and business development activities with third parties outside the Exclusive Field. Subject to availability after meeting customer demand, Sensile may request from scPharma permission for the use of up to [\*\*\*] selected from Prototypes, Devices, and Device components (“**Marketing Devices**”) for its marketing and business development purposes outside the Exclusive Field, which permission will not be unreasonably withheld, delayed or conditioned. Sensile may not sell Marketing Devices for commercial purposes in any field. All use of Marketing Devices shall be subject to scPharma’s Intellectual Property rights and ownership of molds, specifications, drawings, and blueprints for the Device. For avoidance of doubt, Sensile shall not have the right, and shall not communicate to others that it has the right, to utilize scPharma’s molds, specifications, drawings or blueprints, or scPharma’s Intellectual Property Rights, to manufacture the Device or Product for a Third Party, in any field. Sensile may disclose to Third Parties design drawings and the identify of materials used, but no other information regarding the Product or Device or any component thereof. Sensile will pay scPharma the same PER-UNIT FEES, in addition to applying the production costs per device, as described in SCHEDULE 3.1(a) to this agreement for all Marketing Devices

## 6.2 Prosecution.

(a) Sensile shall have the sole right to file, prosecute, and maintain Patent Rights with respect to Sensile’s Pre-Existing Intellectual Property and Sensile Inventions, and all costs and expenses associated therewith shall be borne by Sensile. scPharma shall have the sole right to file, prosecute, and maintain Patent Rights with respect to scPharma’s Pre-Existing Intellectual Property and scPharma Inventions, and all costs and expenses

associated therewith shall be borne by scPharma. Each Party agrees to cooperate and assist the other Party to execute, and shall cause its personnel to execute, all documents reasonably necessary for the other Party to secure, perfect, effectuate and preserve such Party's ownership rights in and to their respective inventions. Sensile shall consult with and keep scPharma informed of all substantive issues relating to the preparation, filing, prosecution and maintenance of the Sensile Pre-Existing Intellectual Property and Sensile Inventions, and shall furnish to scPharma copies of documents relevant to such preparation, filing, prosecution or maintenance in sufficient time prior to filing such document to allow for review and comment by scPharma. Sensile shall consider scPharma's comments in good faith and, to the extent possible in the reasonable exercise of its discretion, shall incorporate all such comments. In the event that Sensile does not incorporate any such comment, it shall contact scPharma to discuss and resolve any disagreement thereto in good faith.

(b) Sensile shall not file any application for a Patent Right that claims or Covers a combination of Sensile's Pre-Existing Intellectual Property or Sensile Inventions with a pharmaceutical product related to a Drug in the Field of Use or in a field for which scPharma has sent an Additional Field Notice for any existing and agreed upon future Products ("**Combination Intellectual Property**").

(c) scPharma shall not file any application for a Patent Right that claims or Covers Sensile Pre-Existing Intellectual Property or Sensile Inventions without prior approval by Sensile, which shall not be unreasonably withheld, conditioned or delayed. Notwithstanding, this Section 6.2(c) shall not prevent scPharma from filing any Patent Right application that claims or Covers a drug-device combination. In the event that, after the Effective Date, (i) scPharma files a Patent Right application that claims or covers a drug-device combination, and (ii) a Patent Right issues to scPharma from such Patent Right application that, absent a license from scPharma, would prevent Sensile from making, using, selling or offering for sale any Sensile Pre-Existing Intellectual Property or Sensile Inventions, then scPharma shall grant Sensile a perpetual, royalty-free license under such Patent Right solely to the extent that such a license is required to make, use, sell, offer to sell and import Devices and only in the Excluded Field for such country where such patent was issued. For purposes of clarity, such license shall not extend to the Field of Use or any therapeutic area or field where scPharma has exclusivity to the Sensile Pre-Existing Intellectual Property or Sensile Inventions.

(d) During the term of this Agreement, Sensile and its Affiliates will not disclose the Device Master Record ("**DMR**") to any Third Party without permission of scPharma.

### 6.3 Enforcement.

(a) [\*\*\*]. Each of the Parties shall notify the other Party within [\*\*\*] if they become aware of any such Infringement Action. [\*\*\*]. The Party commencing legal action (the "**Defending Party**") shall, unless otherwise agreed in writing, [\*\*\*]. The Defending Party shall consider in good faith requests and comments by the other Party.

(b) Each Party will cooperate in all reasonable respects with the Defending Party. The Defending Party may prosecute or defend an Infringement Action in its own name or, if required by applicable law, in the name of another Party and may join such other Party as a party to the Infringement Action if a court of competent jurisdiction determines that such Party is an indispensable party to such Infringement Action, in each case, [\*\*\*]. Each Party hereby irrevocably and unconditionally waives any objection to such joinder, including on

grounds of personal jurisdiction, venue or forum non conveniens. Where the Defending Party brings an Infringement Action in the name of another Party or joins another Party, the Defending Party may not settle those proceedings or agree to any order, injunction, settlement or other binding obligation that prohibits or restricts that named or joined Party in any way without the prior written consent of that named or joined Party.

(c) Any proceeds received from an Infringement Action shall first be applied to reimburse legal fees of the respective Parties in proportion to the costs and expenses incurred. [\*\*\*].

## 7. TECHNOLOGY ESCROW

7.1 Within [\*\*\*] of the date of signing this Agreement, the parties shall enter into a technology escrow agreement (“**Escrow Agreement**”) with a mutually acceptable escrow agent (“**Escrow Agent**”). Within [\*\*\*] of the execution of said Escrow Agreement, Sensile shall deposit with the Escrow Agent: (a) executed authorization letters in the form set forth in Exhibit 7.1 for each subcontractor and vendor it uses in the manufacture or design of the Device, (b) a copy of the design history file for each Device, (c) a copy of the device master record for each Device, (d) specifications for each Device, and (e) designs for molds, tools, and any other equipment designed specifically for the manufacture of a Device or any component thereof (the “**Deposit**”). Sensile shall update the Deposit on [\*\*\*] basis, and shall deposit additional authorization letters each time it engages a new subcontractor or vendor, and each time an existing subcontractor or vendor begins work on a new Device. Sensile shall retain, or cause its subcontractors or vendors to retain, a copy of all documents included in the Deposit for its records. The Escrow Agreement shall instruct the Escrow Agent to: (1) not return the Deposit, or any part thereof to Sensile, without obtaining the prior written consent of scPharma; (ii) designate scPharma as the sole and exclusive beneficiary, along with any successors or assigns of scPharma, as confirmed in writing by scPharma, and (iii) notify scPharma when deposits have been received. scPharma shall pay all costs and fees associated with the escrow account when due and payable. The following events shall constitute a release event under the Escrow Agreement and shall immediately entitle scPharma to request from the Escrow Agent, and the Escrow Agent to release to scPharma, the Deposit: (i) Sensile notifies Escrow Agent to release the Deposit to scPharma; (ii) Sensile materially breaches this Agreement and fails to cure such breach; (iii) Sensile notifies scPharma that it no longer has the capacity to make Devices; (iv) Sensile has been unable to meet its supply obligations for [\*\*\*]; (v) Termination for Insolvency of Sensile; or (vi) or Sensile commits more than [\*\*\*] of a material obligation in a period of [\*\*\*] (each, a “**Release Event**”). In the event of a Release Event, scPharma shall promptly notify the Escrow Agent to release the Deposit and Sensile shall execute all documents and provide all assistance required for the Escrow Agent to effect such release, promptly after requested to do so. Sensile shall not enter into any definitive agreement with an Escrow Agent regarding the Deposit without prior review and written approval of the execution version of such agreement by scPharma.

7.2 Sensile shall ensure that any subcontractor or vendor it uses under this Agreement (or generally in the manufacture or design of the Device): (a) shall be obligated to assist in any technology transfers contemplated in this Agreement in the manner set forth herein, (b) shall timely effect such technology transfers, and (c) shall accept the assignment of such subcontractor’s or vendor’s contract to scPharma upon any transfer authorized by the parties’ agreements. For the avoidance of doubt, scPharma shall continue to be obligated to pay royalties per the terms of this Agreement (and subject to the termination provisions of such agreement) following a Release Event.

## 8. INDEMNIFICATION

8.1 Indemnification by Sensile. Sensile shall defend, indemnify, and hold harmless scPharma, its Affiliates and their respective officers, directors, employees, and agents (“**Representatives**”) from and against any and all claims, losses, demands, causes of action, and all related costs and expenses of every kind (including reasonable attorneys’ fees, costs, and expenses) occurring, growing out of, incident to, or resulting directly or indirectly from a Third Party claim based on: (a) Sensile’s fraud, willful or intentional acts or gross negligence; (b) Sensile’s grossly negligent design or manufacture of products; (c) infringement of an Intellectual Property Right of a Third Party resulting from product design, features, or manufacturing processes developed by Sensile; (d) Sensile’s breach of a material obligation under this Agreement; and (e) Sensile’s failure to comply with applicable laws, in each case except for those losses for which scPharma has an obligation to indemnify Sensile, as to which losses each Party will indemnify the other to the extent of their respective liability for the losses.

8.2 Indemnification by scPharma. Except as otherwise provided in Section 8.1 above, scPharma shall defend, indemnify, and hold harmless Sensile, its Affiliates and their respective Representatives from and against any and all claims, losses, demands, causes of action, and all related costs and expenses of every kind (including reasonable attorneys’ fees, costs, and expenses) occurring, growing out of, incident to, or resulting directly or indirectly from a Third Party claim based on: (a) scPharma’s fraud, willful or intentional acts or gross negligence; (b) scPharma’s breach of a material obligation under this Agreement; and (c) scPharma’s failure to comply with applicable laws, in each case except for those losses for which Sensile has an obligation to indemnify scPharma, as to which losses each Party will indemnify the other to the extent of their respective liability for the losses.

### 8.3 Conditions of Indemnity.

(a) The Party claiming a right of indemnification or defense under this Agreement shall provide the indemnifying Party prompt written notice (in all events within [\*\*\*]) of any such claim, including a copy thereof, served upon it, and shall cooperate fully with the indemnifying Party and its legal representatives in the investigation of any such claim, at the indemnifying Party’s expense.

(b) The indemnifying Party shall have the right to exercise sole control over the defense and settlement of any such claim, including the sole right to select defense counsel and to direct the defense or settlement of any such claim; provided that the indemnifying Party shall not enter into any non-monetary settlement or admit fault or liability on the indemnified Party’s behalf without the prior written consent of the indemnified Party, which consent shall not be unreasonably withheld, delayed or conditioned. Notwithstanding the foregoing, if the indemnified Party is advised by counsel that there may be a conflict between the positions of the indemnifying Party and the indemnified Party in conducting the defense of such action, then the indemnified Party may elect to conduct the defense to the extent reasonably determined by such counsel to be necessary to protect the interests of the indemnified Party, at the expense of the Indemnifying Party, if it is determined by agreement of the indemnifying Party and the indemnified Party, or by a court of competent jurisdiction, that the indemnified Party is entitled to indemnification hereunder. If the indemnifying Party elects not to assume the defense of such claim or action, the indemnifying Party shall reimburse the indemnified Party for the reasonable legal fees and expenses incurred and shall be bound by the results obtained by the indemnified Party in respect of such claim or action if it is determined by agreement of the indemnifying Party and the indemnified Party or by a court of competent



jurisdiction that the indemnified Party is entitled to indemnification hereunder; provided, however, that no such claim or action shall be settled without the written consent of the indemnifying Party. Without limiting the foregoing, the indemnified Party shall have the right to select and to obtain representation by separate legal counsel, and except as provided for above, all costs and expenses incurred by the indemnified Party for such separate legal counsel shall be borne by the indemnified Party.

(c) Either Party shall be relieved of any indemnification obligation hereunder if the indemnified Party either [\*\*\*].

#### 9. LIMITATION OF LIABILITY

EXCEPT FOR LIABILITY FOR A BREACH OF [\*\*\*] OR A BREACH OF [\*\*\*] OR [\*\*\*] AND EACH PARTY'S INDEMNITY OBLIGATIONS FOR CLAIMS ASSERTED BY THIRD PARTIES, NEITHER PARTY SHALL BE LIABLE TO THE OTHER PARTY OR ITS AFFILIATES FOR ANY INCIDENTAL, SPECIAL, OR CONSEQUENTIAL DAMAGES, INCLUDING ANY CLAIMS FOR DAMAGES BASED UPON LOST PROFITS RELATING TO THIS AGREEMENT, EVEN IF SUCH PARTY HAS BEEN INFORMED IN ADVANCE OF THE POSSIBILITY OF SUCH DAMAGES. EXCEPT FOR LIABILITY FOR A BREACH OF [\*\*\*] OR A BREACH OF [\*\*\*] OR [\*\*\*] AND EACH PARTY'S INDEMNITY OBLIGATIONS FOR CLAIMS ASSERTED BY THIRD PARTIES, EACH PARTY'S AGGREGATE LIABILITY TO THE OTHER PARTY FOR ANY CLAIM RELATED TO, OR IN CONNECTION WITH, THIS AGREEMENT, OR THE PRODUCT (WHETHER TN CONTRACT, TORT, NEGLIGENCE, STRICT LIABILITY, BY STATUTE OR OTHERWISE) SHALL BE LIMITED TO AN AMOUNT EQUAL TO THE TOTAL PAYMENTS BY SCPHARMA TO SENSILE UNDER THIS AGREEMENT.

In no event shall a party's liability to the other party for direct or indirect damages exceed \$[\*\*\*] for a single event or aggregate related events (aggregate event limit).

#### 10. TERM AND TERMINATION

10.1 Term. This Agreement shall commence on the Effective Date and extend until terminated as set forth in this Agreement (the "**Term**").

10.2 Termination for Business Reasons. This Agreement may be terminated for any reason by scPharma, including scPharma's decision not to continue development of a Product or failure of a Product to receive approval from the appropriate Regulatory Authority, upon [\*\*\*] prior written notice to Sensile. Upon receipt of notice of termination from scPharma, Sensile shall use its best efforts to limit or terminate any outstanding financial commitments for which scPharma will be held responsible within [\*\*\*] of termination by scPharma. For any termination pursuant to this Section 10.2, scPharma shall reimburse Sensile for all costs incurred by it for work performed by Sensile prior to the effective date, of termination, including all non-cancellable obligations. Payments under this Section 10.2 shall be subject to Section 2 hereof.

10.3 Termination for Material Breach. Either Party shall have the right to terminate this Agreement upon written notice to the other Party if, after receiving written notice of such material breach, the other Party fails to cure such breach within [\*\*\*] from the date of such notice.

10.4 Termination for Insolvency. A Party may terminate this Agreement upon bankruptcy, insolvency, dissolution or winding up of the other Party (“Termination for Insolvency”).

(a) In the event of Termination for Insolvency of Sensile, (i) the applicable escrow agent will release to scPharma the authorization letters and other deposits made in accordance with the Escrow Agreement and (ii) Sensile shall, upon request by scPharma, transfer to scPharma or cause to transfer to scPharma all works in progress, completed Devices and components thereof, all Sensile Pre-Existing Intellectual Property and Sensile Inventions necessary for scPharma to continue to manufacture the Products in accordance with the applicable specifications. If this Agreement is terminated under any applicable insolvency law or Sensile or an administrator refuses to further perform this Agreement (or any of Sensile’s obligations hereunder) under any applicable bankruptcy or insolvency law, then scPharma may elect to retain all of its license rights under this Agreement (including the rights described in this Section 10.4). All rights and licenses granted under or pursuant to this Agreement by either Party are, and shall otherwise be deemed to be, for purposes of Section 365(n) of the United States Bankruptcy Code (the “**Bankruptcy Code**”), licenses of rights to “intellectual property” as defined under Section 101 of the Bankruptcy Code. The Parties agree that the scPharma, as licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code.

(b) In the event of Termination for Insolvency of scPharma, all obligations of Sensile to scPharma under this Agreement, including any licenses granted by Sensile to scPharma shall immediately terminate. scPharma shall reimburse Sensile for all costs incurred by it for work performed by Sensile prior to the effective date of termination, including all non-cancellable obligations.

10.5 Rights and Duties Upon Termination. Upon termination of the Agreement, Sensile and scPharma will cooperate to provide for an orderly termination of the Development Plan. Upon notice of termination of this Agreement, the Parties agree to use reasonable efforts to minimize further costs. Each Party shall also promptly return all Confidential Information of the other Party in its custody or control. Termination of this Agreement shall not affect any other rights or remedies which may be available to either Party at law or in equity.

10.6 Survival of Provisions. In addition to any provisions that by their nature survive expiration or termination of this Agreement, the duty of scPharma to pay accrued but unpaid fees and Sections 1 (Definitions), 3.5 (Books and Records), 4 (Confidentiality), 5 (Representations, Warranties and Covenants), 6.1 (Ownership of Inventions), 8 (Indemnification), 9 (Limitation of Liability), 10.5 (Rights and Duties upon Termination), 10.6 (Survival of Provisions) and 11 (Miscellaneous) shall survive the termination or expiration of this Agreement for any reason. Section 7.1 shall survive termination for Insolvency of Sensile or termination for Sensile’s material breach, for so long as is necessary for the Escrow Agent to receive instructions and complete the release following a Release Event. For the purpose of clarification, the following sections will not survive the termination of this agreement: Section 2 (License), except pursuant to Section 10.4(a).

## 11. MISCELLANEOUS

11.1 Independent Contractors. The relationship between Sensile and scPharma is that of independent contractors and nothing herein shall be deemed to constitute

the relationship of partners, joint venturers, or principal and agent between Sensile and scPharma. Neither Party shall have any express or implied right or authority to assume or create any obligations on behalf of or in the name of the other Party or to bind the other Party to any contract, agreement, or undertaking with any Third Party.

11.2 Assignment; Subcontracting. scPharma may assign this Agreement, or assign or delegate any rights or obligations under this Agreement, without Sensile's consent. Sensile may not assign this Agreement, or assign or delegate its rights or obligations under this Agreement, without the prior written consent of scPharma (which shall not be unreasonably withheld, conditioned, or delayed), provided, however, that (a) Sensile may assign this Agreement without the prior written consent of scPharma to an Affiliate or in the event of a sale of all or substantially all of such Party's assets or business. Any permitted assignee shall assume all obligations of its assignor under this Agreement. No assignment shall relieve either Party of its responsibility for the performance of any obligation that accrued prior to the effective date of such assignment. This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective permitted successors and assigns. Any attempted sale, pledge, assignment, sublicense or other transfer in violation of this Section 11.2 shall be void and of no force or effect.

11.3 Waiver. No failure or delay on the part of the Parties hereto to exercise any right, power, or privilege hereunder or under any instrument executed pursuant hereto shall operate as a waiver; nor shall any single or partial exercise of any right, power or privilege preclude any other or further exercise thereof or the exercise of any other right, power or privilege,

11.4 Severability. If any provision or part of this Agreement is declared invalid by any court of competent jurisdiction or a government agency having jurisdiction, such invalidity shall not affect the remainder of the provision or the other provisions of the Agreement, which shall remain in full force and effect.

11.5 Publication; Use of Name. Neither Party shall issue any press release, publicity or other form of public written disclosure related to this Agreement, the activities conducted hereunder, or the other Party without the prior written consent of the other Party, which consent shall not be unreasonably withheld, conditioned, or delayed. Except as otherwise required by, or in the good faith determination by a Party, complies with, Law or securities disclosure rules or guidance, or as required by the terms of this Agreement or mutually agreed upon by the Parties, neither Party shall make any use of the name of the other Party in any advertising or promotional material, or otherwise, without the prior written consent of the other Party.

11.6 Further Assurances. Each Party agrees to duly execute and deliver, or cause to be duly executed and delivered, such further instruments and do and cause to be done such further acts and things, including the filing of such assignments, agreements, documents and instruments, as may be necessary or as the other Party may reasonably request in connection with this Agreement or to carry out more effectively the provisions and purposes, or to better assure and confirm unto such other Party its rights and remedies under this Agreement.

11.7 Construction. Unless the context otherwise requires, (a) "or" is not exclusive, (b) words in the singular include the plural, and words in the plural include the singular, (c) "herein," "hereof and other words of similar import refer to this Agreement, and

(d) “including” and “includes,” when following any general provision, sentence, clause, statement, term or matter, shall be deemed to be followed by % but not limited to,” and “, but is not limited to,” respectively. Each Party has had the opportunity to consult with counsel in connection with the review, drafting and negotiation of this Agreement. Accordingly, the rule of construction that any ambiguity in this Agreement shall be construed against the drafter shall not apply.

11.8 Non-Solicitation. During the term of this Agreement and for a period of [\*\*\*] thereafter, scPharma shall not, and shall require that its Affiliates do not, directly or indirectly solicit, engage or hire any employee or contractor of Sensile or its Affiliates; provided, however, that nothing herein shall prohibit scPharma from soliciting for employment, hiring or employing any person who responds to a general solicitation or advertisement in a newspaper, on the internet, or in some similar medium so long as such general solicitation or advertisement is not directed at any individual employee or group of employees of Sensile or its Affiliates.

11.9 Notices. Any notices under this Agreement shall be in writing as registered mail and delivered to the Parties at the postal addresses set forth below, or to the postal address subsequently provided by a Party in accordance with this Section 11.9, by (a) first class certified mail, return receipt requested, with notice deemed given upon receipt; (b) a nationally-recognized overnight courier service, with notice deemed given on the date of receipt as indicated on the courier’s receipt, or (c) pdf via electronic mail:

if to scPharma:           scPharmaceuticals Inc.  
                                  131 Hartwell Avenue, Suite 215  
                                  Lexington, MA 02421  
                                  Attention: [\*\*\*]  
                                  Tel: [\*\*\*]  
                                  Fax [\*\*\*]  
                                  Email address:

if to Sensile:            Sensile Medical AG  
                                  Fabrikstrasse 10  
                                  CH-4614 Högendorf  
                                  Switzerland  
                                  Attention: CEO  
                                  Tel: [\*\*\*]  
                                  Fax: [\*\*\*]  
                                  Email address:

The address and person provided above may be changed by either Party by providing the other Party with written notice of such change.

11.10 Counterparts. This Agreement and any amendment or supplement hereto may be executed in separate counterparts, including by facsimile or electronic signature, each of which shall be deemed to be an original, and all of which taken together shall constitute one and the same instrument.

11.11 Dispute Resolution; Governing Law. In the event of any controversy or claim arising out of or relating to this Agreement, or a breach thereof, the Parties hereto shall consult and negotiate with each other and, recognizing their mutual interests, attempt to reach a satisfactory solution. If they do not reach settlement within a period of [\*\*\*], then, upon notice by

any party to the other(s), any unresolved controversy or claim shall be settled by arbitration administered by the International Centre for Dispute Resolution (“ICDR”) in accordance with the provisions of its International Arbitration Rules. The arbitration will be heard and determined by three (3) arbitrators who are retired judges or attorneys with at least seven (7) years of experience in the medical device industry. Each Party will appoint one (1) arbitrator and the third arbitrator will be selected by the two (2) Party-appointed arbitrators, or, failing agreement within [\*\*\*] following the date of receipt by the respondent of the claim, by ICDR. The place of arbitration shall be London, England. The language of the arbitration shall be English. Except as may be required by law, neither a Party nor its representatives may disclose the existence, content, or results of any arbitration hereunder without the prior written consent of the Parties. The arbitration award so given will be a final and binding determination of the dispute, will be fully enforceable in any court of competent jurisdiction, and will not include any damages expressly prohibited by Section 9. Except in a proceeding to enforce the results of the arbitration or as otherwise required by law, neither Party nor any arbitrator may disclose the existence, content or results of any arbitration hereunder without the prior written agreement of both Parties. Notwithstanding the dispute resolution procedures set forth in this Section 11.11, each Party acknowledges and agrees that breach of any of the terms or conditions of this Agreement would cause irreparable harm and damage to the other and that such damage may not be ascertainable in money damages and that as a result thereof the non-breaching Party would be entitled to seek from a court equitable or injunctive relief restraining any breach or future violation of the terms contained herein by the breaching Party without the necessity of proving actual damages or posting bond. Such right to equitable relief is in addition to whatever remedies either Party may be entitled to as a matter of law or equity, including money damages. This Agreement shall be governed by and interpreted in accordance with the laws of England.

11.12 Entire Agreement. This Agreement and the Original Agreements constitute the entire understanding of the Parties in connection with the subject matter herein and a complete and exclusive statement of the terms of their agreement and supersede all prior and contemporaneous arrangements, agreements and understandings, both oral and written among the Parties hereto or between any of them, including the Original Agreements. In the event of any conflict between this Agreement and the Original Agreements or any other previously executed agreement involving the parties hereto, this Agreement shall control. This Agreement or any provision hereof shall not be amended, supplemented, or waived except in a writing signed by each of the Parties hereto. For purpose of clarification, if subjects are not defined or covered in this agreement, previous agreements, such as the Partnership Agreement and the Omnibus Amendment are still valid.

*[Remainder of the page intentionally left blank]*

IN WITNESS WHEREOF, this Agreement has been executed by the duly authorized representatives of the Parties hereto as of the Effective Date.

**scPHARMACEUTICALS INC.**

/s/ Pieter Muntendam

Signature

Pieter Muntendam

Name

President

Title

**SENSILE MEDICAL AG**

/s/ Derek Brandt

Signature

Derek Brandt

Name

CEO

Title

**SENSILE HOLDING AG**

/s/ Benno Zehnder

Signature

Benno Zehnder

Name

Member of the Board

Title

**SENSILE PATENT AG**

/s/ E. Conradi

Signature

E. Conradi

Name

Chairman of the Board

Title

\*\*\* INDICATES MATERIAL THAT HAS BEEN OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED. ALL SUCH OMITTED MATERIAL HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

**SCHEDULE 1.1**  
**SENSILE INVENTIONS**

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\*\*\* INDICATES MATERIAL THAT HAS BEEN OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED. ALL SUCH OMITTED MATERIAL HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

**SCHEDULE 1.2**  
**SENSIBLE PRE-EXISTING INTELLECTUAL PROPERTY**

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EXHIBIT 2.6(a)

Minimum Device Unit Volumes

**Minimum Volume Calculation**

Minimum Disposable Units

[\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*]  
[\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*]

**Incremental Disposable Units Per Additional Field**

*following Regulatory Approval*

Incremental Disposable Units

[\*\*] [\*\*] [\*\*]  
[\*\*] [\*\*] [\*\*]

**SCHEDULE 3.1(a)**  
**PER-UNIT FEES**

REUSABLE COMPONENT PER-UNIT FEES

[\*\*\*] per unit

DISPOSABLE COMPONENT PER-UNIT FEES

[\*\*\*] per unit

## FIRST AMENDMENT TO LICENSE AGREEMENT

This **FIRST AMENDMENT TO LICENSE AGREEMENT** (this “**First Amendment**”) is made and entered into this day of June 29, 2016 (the “**First Amendment Effective Date**”) by and among scPharmaceuticals Inc., having an address at 131 Hartwell Avenue, Suite 215, Lexington, MA 02421 (“**scPharma**”) and Sensile Medical AG (“**Sensile Med**”) and Sensile Pat AG (“**Sensile Pat**”), both having an address at Fabrikstrasse 10, CH-4614 Hägendorf, Switzerland and Sensile Holding AG (“**Sensile Holding**”), having an address at Zugerstrasse 76b, CH-6340, Baar, Switzerland (Sensile Med, Sensile Holding and Sensile Pat together in any combination, “**Sensile**”) (each of scPharma, Sensile Med, Sensile Holding and Sensile Pat, a “**Party**” and, collectively, the “**Parties**”). All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the License Agreement (defined below).

## RECITALS

**WHEREAS**, the Parties entered into that certain License Agreement, dated June 29, 2015, (the “**License Agreement**”) pursuant to which scPharma licensed certain products owned by Sensile to perform development activities required to commercialize such products; and

**WHEREAS**, the Parties wish to amend the License Agreement by modifying the exclusivity provisions, technology escrow and certain other terms.

**NOW, THEREFORE**, in consideration of the premises and mutual agreements and covenants set forth in this Amendment, the Parties have agreed as follows:

## AGREEMENT

- 1.1 Section 2.6(a)(i) of the License Agreement is hereby amended by deleting the date “[\*\*\*]” and replacing it with “[\*\*\*]”.
- 1.2 The first sentence in Section 7.1 is hereby deleted in its entirety and replaced with the following language:  
“During the term of this Agreement, either Party may request a technology escrow by notifying the other Party in writing. Within [\*\*\*] of delivery of such notice, the Parties shall enter into a technology escrow agreement (“**Escrow Agreement**”) with a mutually acceptable escrow agent (“**Escrow Agent**”).”
- 1.3 Exhibit 2.6(a) is hereby deleted in its entirety and replaced with the amended Exhibit 2.6(a) attached hereto.

[Signatures follow on next page]

**IN WITNESS WHEREOF**, the Parties, intending to be legally bound, have caused this First Amendment to be executed by their respective authorized representatives.

**ScPHARMACEUTICALS INC.**

/s/ Pieter Muntendam  
Signature

Pieter Muntendam  
Name

President  
Title

**SENSILE MEDICAL AG**

/s/ Derek Brandt /s/ Lars Birkmann  
Signature

Derek Brandt Lars Birkmann  
Name

CEO Head BS  
Title

**SENSILE HOLDING AG**

/s/ E. Conradi  
Signature

Erwin Conradi  
Name

President of the Board of Directors  
Title

**SENSILE PAT AG**

/s/ E. Conradi  
Signature

Erwin Conradi  
Name

President of the Board of Directors  
Title

*Signature Page to First Amendment*

EXHIBIT 2.6(a)

Minimum Disposable Component Unit Volumes (amended)

**Minimum Volume Calculation**

[\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*]

**Minimum Disposable Units**

[\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*] [\*\*]

**Incremental Disposable Units per Additional Field**

*following Regulatory Approval*

[\*\*] [\*\*] [\*\*]

**Incremental Disposable Units**

[\*\*] [\*\*] [\*\*]

**Amendment #2**

**To License Agreement**

This Amendment #2 (“**Amendment #2**”), dated August 5, 2016 (“**Amendment Effective Date**”), to the License Agreement dated June 29, 2015 (the “**Agreement**”), is by and among scPharmaceuticals Inc. (“**scPharma**”) and Sensile Medical AG, Sensile Holding AG and Sensile Patent AG (“**Sensile**”).

Unless defined herein, words used in this Amendment #2 as defined terms shall have the same meanings herein as in the Agreement.

**RECITALS**

**WHEREAS**, scPharma and Sensile each desire to amend the terms of the Agreement as described in this Amendment; and

**NOW, THEREFORE**, in consideration of the mutual covenants, promises and agreements herein contained, the Parties hereto agree as follows:

1. Section 6.3 (a). Section 6.3(a) of the Agreement is deleted in its entirety and replaced with the following amended 6.3(a):

“**6.3 Enforcement**. [\*\*\*]. Each of the Parties shall notify the other Party within [\*\*\*] if they become aware of any such Infringement Action. [\*\*\*]. The Party commencing legal action (the “**Defending Party**”) shall, unless otherwise agreed in writing, [\*\*\*]. The Defending Party shall consider in good faith requests and comments by the other Party.”

2. Effectiveness of Agreement and Amendment #2. Except as expressly provided herein, nothing in this Amendment #2 shall be deemed to waive or modify any of the provisions of the Agreement, which otherwise remains in full force and effect. In the event of any conflict between the Agreement and this Amendment #2, this Amendment #2 shall prevail with respect to the subject matter hereof.

IN WITNESS WHEREOF, the undersigned have executed this Amendment #2 as of the Amendment Effective Date.

scPharmaceuticals Inc.

By: /s/ Pieter Muntendam  
Name: Pieter Muntendam  
Title: President  
Date: 7/29/2016

Sensile Patent AG

By: /s/ E. Conradi  
Name: E. Conradi  
Title: Chairman  
Date: 5/8/2016

Sensile Medical AG

By: /s/ E. Conradi /s/ Lars Birkmann  
Name: E. Conradi Lars Birkmann  
Title: Chairman Head of Business Support  
Date: 5/8/2016 5/8/2016

Sensile Holding AG

By: /s/ E. Conradi  
Name: E. Conradi  
Title: Chairman  
Date: 5/8/2016

[\*\*\*] INDICATES MATERIAL THAT HAS BEEN OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED. ALL SUCH OMITTED MATERIAL HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

### THIRD AMENDMENT TO LICENSE AGREEMENT

This **THIRD AMENDMENT TO LICENSE AGREEMENT** (this “**Third Amendment**”) is made and entered into this 22 day of November, 2016 (the “**Third Amendment Effective Date**”) by and among scPharmaceuticals Inc., having an address at 131 Hartwell Avenue, Suite 215, Lexington, MA 02421 (“**scPharma**”) and Sensile Medical AG, having an address at Fabrikstrasse 10, CH-4614 Hägendorf, Switzerland (“**Sensile Med**”) and Sensile Holding AG (“**Sensile Holding**”) and Sensile Patent AG (“**Sensile Patent**”), both having an address at Zuger Strasse 76b, CH-6340, Baar, Switzerland (Sensile Med, Sensile Holding and Sensile Patent together in any combination, “**Sensile**”) (each of scPharma, Sensile Med, Sensile Holding and Sensile Patent, a “**Party**” and, collectively, the “**Parties**”). All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the License Agreement (defined below).

### RECITALS

**WHEREAS**, the parties entered into that certain License Agreement dated June 29, 2015, as amended by that First Amendment to License Agreement dated June 29, 2016 and that Second Amendment to Non-Exclusive License Agreement dated August 5, 2016 (as amended, the “**License Agreement**”) pursuant to which scPharma licensed certain products owned by Sensile to perform development activities required to commercialize such products; and

**WHEREAS**, the Parties wish to amend the License Agreement by modifying the exclusivity provisions therein.

**NOW, THEREFORE**, in consideration of the premises and mutual agreements and covenants set forth in this Amendment, the Parties have agreed as follows:

### AGREEMENT

1.1 Section 2.6(a)(i) of the License Agreement is hereby amended by deleting the date “[\*\*\*]” and replacing it with “[\*\*\*]”.

[Signatures follow on next page]



IN WITNESS WHEREOF, the Parties, intending to be legally bound, have caused this Third Amendment to be executed by their respective authorized representatives.

**ScPHARMACEUTICALS INC.**

/s/ Pieter Muntendam  
Signature

Pieter Muntendam  
Name

President and CEO  
Title

**SENSILE MEDICAL AG**

/s/ Derek Brandt  
Signature

Derek Brandt  
Name

CEO  
Title

/s/ Sandra de Haan

Sandra de Haan

Head BD

**SENSILE HOLDING AG**

/s/ E. Conradi  
Signature

Conradi, Erwin  
Name

President  
Title

**SENSILE PATENT AG**

/s/ E. Conradi  
Signature

Conradi, Erwin  
Name

President  
Title

[\*\*\*] INDICATES MATERIAL THAT HAS BEEN OMITTED AND FOR WHICH CONFIDENTIAL TREATMENT HAS BEEN REQUESTED. ALL SUCH OMITTED MATERIAL HAS BEEN FILED WITH THE SECURITIES AND EXCHANGE COMMISSION PURSUANT TO RULE 24b-2 PROMULGATED UNDER THE SECURITIES EXCHANGE ACT OF 1934, AS AMENDED

#### FOURTH AMENDMENT TO LICENSE AGREEMENT

This **FOURTH AMENDMENT TO LICENSE AGREEMENT** (this “**Fourth Amendment**”) is made and entered into this 25<sup>th</sup> day of February, 2017 (the “**Fourth Amendment Effective Date**”) by and among scPharmaceuticals Inc., having an address at 131 Hartwell Avenue, Suite 215, Lexington, MA 02421 (“**scPharma**”) and Sensile Medical AG, having an address at Fabrikstrasse 10, CH-4614 Hägendorf, Switzerland (“**Sensile Med**”) and Sensile Holding AG (“**Sensile Holding**”) and Sensile Patent AG (“**Sensile Patent**”), both having an address at Zuger Strasse 76b, CH-6340, Baar, Switzerland (Sensile Med, Sensile Holding and Sensile Patent together in any combination, “**Sensile**”) (each of scPharma, Sensile Med, Sensile Holding and Sensile Patent, a “**Party**” and, collectively, the “**Parties**”). All capitalized terms not otherwise defined herein shall have the meanings ascribed to them in the License Agreement (defined below).

#### RECITALS

**WHEREAS**, the Parties entered into that certain License Agreement dated June 29, 2015 as amended by that First Amendment to License Agreement dated June 29, 2016, that Second Amendment to Non-Exclusive License Agreement dated August 5, 2016 and that Third Amendment to License Agreement dated November 22, 2016 (as amended, the “**License Agreement**”) pursuant to which scPharma licensed certain products owned by Sensile to perform development activities required to commercialize such products; and

**WHEREAS**, the Parties wish to amend the License Agreement by modifying the terms as set forth herein.

**NOW, THEREFORE**, in consideration of the premises and mutual agreements and covenants set forth in this Amendment, the Parties have agreed as follows:

#### AGREEMENT

- 1.1 Section 2.6(a)(i) of the License Agreement is hereby amended by deleting the date “[\*\*\*]” and replacing it with “[\*\*\*]”.
- 1.2 Exhibit 2.6(a) is hereby deleted in its entirety and replaced with the amended Exhibit 2.6(a) attached hereto.

[Signatures follow on next page]

IN WITNESS WHEREOF, the Parties, intending to be legally bound, have caused this Fourth Amendment to be executed by their respective authorized representatives.

**ScPHARMACEUTICALS INC.**

/s/ John Tucker  
Signature

John Tucker  
Name

CEO  
Title

**SENSILE MEDICAL AG**

/s/ Derek Brandt  
Signature

Derek Brandt  
Name

CEO  
Title

**SENSILE HOLDING AG**

/s/ E. Conradi  
Signature

Conradi, E.  
Name

President  
Title

**SENSILE PATENT AG**

/s/ E. Conradi  
Signature

Conradi, E.  
Name

President  
Title

*Signature Page to First Amendment*

EXHIBIT 2.6(a)

Minimum Disposable Component Unit Volumes (amended)

**Minimum Volume Calculation**

*following Regulatory Approval of furosemide*

[\*\*\*] [\*\*\*] [\*\*\*] [\*\*\*] [\*\*\*] [\*\*\*]

**Minimum Disposable Units**

[\*\*\*] [\*\*\*] [\*\*\*] [\*\*\*] [\*\*\*] [\*\*\*]

**Incremental Disposable Units per Additional Field**

*following Regulatory Approval*

[\*\*\*] [\*\*\*] [\*\*\*]

**Incremental Disposable Units**

[\*\*\*] [\*\*\*] [\*\*\*]

For purposes of this Exhibit 2.6(a), “Year 1” means the period beginning on the date of the applicable Regulatory Approval and ending one (1) year after Regulatory Approval. “Year 2” means the second year after such Regulatory Approval (i.e., the one-year period following Year 1), “Year 3” means the third year after such Regulatory Approval, and so on.

## LOAN AND SECURITY AGREEMENT

**THIS LOAN AND SECURITY AGREEMENT** (as the same may be amended, restated, modified, or supplemented from time to time, this “**Agreement**”) dated as of May 23, 2017 (the “**Effective Date**”) among Solar Capital Ltd. (“**Solar**”), as collateral agent (in such capacity, together with its successors and assigns in such capacity, “**Collateral Agent**”) and the lenders listed on Schedule 1.1 hereof or otherwise a party hereto from time to time including Solar in its capacity as a Lender and Silicon Valley Bank (“**Bank**”) as a Lender each a “**Lender**” and collectively, the “**Lenders**”), and scPharmaceuticals Inc., a Delaware corporation with offices located at 131 Hartwell Avenue, Suite 215, Lexington, MA 02421 (“**Borrower**”), provides the terms on which the Lenders shall lend to Borrower and Borrower shall repay the Lenders. The parties agree as follows:

### 1. DEFINITIONS AND OTHER TERMS

**1.1 Terms.** Capitalized terms used herein shall have the meanings set forth in Section 1.3 to the extent defined therein. All other capitalized terms used but not defined herein shall have the meaning given to such terms in the Code. Any accounting term used but not defined herein shall be construed in accordance with GAAP and all calculations shall be made in accordance with GAAP. The term “financial statements” shall include the accompanying notes and schedules.

**1.2 Section References.** Any section, subsection, schedule or exhibit references are to this Agreement unless otherwise specified.

**1.3 Definitions.** The following terms are defined in the Sections or subsections referenced opposite such terms:

“ <b>Agreement</b> ”	Preamble
“ <b>Borrower</b> ”	Preamble
“ <b>Claims</b> ”	Section 12.2
“ <b>Closing Fee</b> ”	Section 2.4(a)
“ <b>Collateral Agent</b> ”	Preamble
“ <b>Collateral Agent Report</b> ”	Exhibit B, Section 5
“ <b>Communications</b> ”	Section 10
“ <b>Default Rate</b> ”	Section 2.3(b)
“ <b>Effective Date</b> ”	Preamble
“ <b>Event of Default</b> ”	Section 8
“ <b>Indemnified Person</b> ”	Section 12.2
“ <b>Lender</b> ” and “ <b>Lenders</b> ”	Preamble
“ <b>Lender Transfer</b> ”	Section 12.1
“ <b>Non-Funding Lender</b> ”	Exhibit B, Section 10(c)(ii)
“ <b>Other Lender</b> ”	Exhibit B, Section 10(c)(ii)
“ <b>Perfection Certificate</b> ”	Section 5.1
“ <b>Solar</b> ”	Preamble
“ <b>Termination Date</b> ”	Exhibit B, Section 8
“ <b>Term Loan</b> ”	Section 2.2(a)
“ <b>Transfer</b> ”	Section 7.1

In addition to the terms defined elsewhere in this Agreement, the following terms have the following meanings:

“**Account**” is any “account” as defined in the Code with such additions to such term as may hereafter be made under the Code, and includes, without limitation, all accounts receivable and other sums owing to Borrower.

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

“**ACH Letter**” is ACH debit authorization in the form of Exhibit F hereto.

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

“**Amortization Date**” is December 1, 2018.

“**Anti-Terrorism Laws**” are any laws, rules, regulations or orders relating to terrorism or money laundering, including without limitation Executive Order No. 13224 (effective September 24, 2001), the USA PATRIOT Act, the laws comprising or implementing the Bank Secrecy Act, and the laws administered by OFAC.

“**Approved Fund**” is any (i) investment company, fund, trust, securitization vehicle or conduit that is (or will be) engaged in making, purchasing, holding or otherwise investing in commercial loans and similar extensions of credit in the ordinary course of its business or (ii) any Person (other than a natural person) which temporarily warehouses loans for any Lender or any entity described in the preceding clause (i) and that, with respect to each of the preceding clauses (i) and (ii), is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) a Person (other than a natural person) or an Affiliate of a Person (other than a natural person) that administers or manages a Lender.

“**Blocked Person**” is any Person: (a) listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (b) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, Executive Order No. 13224, (c) a Person with which any Lender is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law, (d) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in Executive Order No. 13224, or (e) a Person that is named a “specially designated national” or “blocked person” on the most current list published by OFAC or other similar list.

“**Borrower’s Books**” are Borrower’s or any of its Subsidiaries’ books and records including ledgers, federal, and state tax returns, records regarding Borrower’s or its Subsidiaries’ assets or liabilities, the Collateral, business operations or financial condition, and all computer programs or storage or any equipment containing such information.

“**Business Day**” is any day that is not a Saturday, Sunday or a day on which commercial banks in New York, New York are required or authorized to be closed.

“**Cash Equivalents**” are (a) marketable direct obligations issued or unconditionally guaranteed by the United States or any agency or any State thereof having maturities of not more than one (1) year from the date of acquisition and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc.; (b) commercial paper maturing no more than one (1) year after its creation and having the highest rating from either Standard & Poor’s Ratings Group or Moody’s Investors Service, Inc., (c) certificates of deposit maturing no more than one (1) year after issue provided that the account in which any such certificate of deposit is maintained is subject to a Control Agreement in favor of Collateral Agent, and (d) any money market or similar funds that exclusively hold any of the foregoing.

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

“**Collateral**” is any and all properties, rights and assets of Borrower described on Exhibit A.

“**Collateral Account**” is any Deposit Account, Securities Account, or Commodity Account, or any other bank account maintained by Borrower or any Subsidiary at any time.

“**Collateral Agent**” is Solar, not in its individual capacity, but solely in its capacity as collateral agent on behalf of and for the ratable benefit of the Secured Parties.

“**Commitment Percentage**” is set forth in Schedule 1.1, as amended from time to time.

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

“**Compliance Certificate**” is that certain certificate in substantially the form attached hereto as Exhibit D.

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

“**Control Agreement**” is any control agreement entered into among the depository institution at which Borrower or any of its Subsidiaries maintains a Deposit Account or the securities intermediary or commodity intermediary at which Borrower or any of its Subsidiaries maintains a Securities Account or a Commodity Account, Borrower or such Subsidiary, as applicable, and Collateral Agent pursuant to which Collateral Agent, for the ratable benefit of the Secured Parties, obtains “control” (within the meaning of the Code) over such Deposit Account, Securities Account, or Commodity Account.

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

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

“**Designated Deposit Account**” is Borrower’s deposit account, account number 3301140431, maintained at Bank.

“**Dollars**,” “**dollars**” and “**\$**” each mean lawful money of the United States.

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

“**ERISA**” is the Employee Retirement Income Security Act of 1974, as amended, and its regulations.

“**Exigent Circumstance**” means any event or circumstance that, in the reasonable judgment of Collateral Agent, imminently threatens the ability of Collateral Agent to realize upon all or any material portion of the Collateral, such as, without limitation, fraudulent removal, concealment, or abscondment thereof, destruction or material waste thereof, or failure of Borrower or any of its Subsidiaries after reasonable demand to maintain or reinstate adequate casualty insurance coverage, or which, in the judgment of Collateral Agent, could reasonably be expected to result in a material diminution in value of the Collateral.

**“Exit Fee Agreement”** is that certain Exit Fee Agreement dated as of the Effective Date, between Borrowers, Solar and Bank.

**“FDA”** means the U.S. Food and Drug Administration or any successor thereto or any other comparable Governmental Authority.

**“Final Fee”** is a payment (in addition to and not a substitution for the regular monthly payments of principal plus accrued interest or any other fee payable hereunder) (a) due on the earliest to occur of (i) the Maturity Date, (ii) the acceleration of any Term Loan pursuant to Section 9.1, and (iii) the prepayment of a Term Loan by Borrower pursuant to Section 2.2(c) or (d), and (b) equal to \$250,000. The Final Fee shall be fully earned on the date so paid, non-refundable for any reason and payable to the Lenders in accordance with their respective Pro Rata Shares.

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

**“Foreign Subsidiary”** is a Subsidiary that is not an entity organized under the laws of the United States or any state or territory thereof.

**“Funding Date”** is any date on which a Term Loan is made to or on account of Borrower which shall be a Business Day.

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

**“General Intangibles”** are all “general intangibles” as defined in the Code in effect on the date hereof with such additions to such term as may hereafter be made under the Code, and includes without limitation, all copyright rights, copyright applications, copyright registrations and like protections in each work of authorship and derivative work, whether published or unpublished, any patents, trademarks, service marks and, to the extent permitted under applicable law, any applications therefor, whether registered or not, any trade secret rights, including any rights to unpatented inventions, payment intangibles, royalties, contract rights, goodwill, franchise agreements, purchase orders, customer lists, route lists, telephone numbers, domain names, claims, income and other tax refunds, security and other deposits, options to purchase or sell real or personal property, rights in all litigation presently or hereafter pending (whether in contract, tort or otherwise), insurance policies (including without limitation key man, property damage, and business interruption insurance), payments of insurance and rights to payment of any kind.

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

**“Governmental Authority”** is any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body (including, without limitation, the FDA), court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative functions of or pertaining to government, any securities exchange and any self-regulatory organization.

**“Guarantor”** is any Person providing a Guaranty of the Obligations in favor of Collateral Agent for the benefit of the Secured Parties.

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

**“Indebtedness”** is (a) indebtedness for borrowed money or the deferred price of property or services, such as reimbursement and other obligations for surety bonds and letters of credit, (b) obligations evidenced by notes, bonds, debentures or similar instruments, (c) capital lease obligations, (d) non-contingent obligations of such Person to reimburse any bank or other Person in respect of amounts paid under a letter of credit, banker’s acceptance or



similar instrument, (e) equity securities of such Person subject to repurchase or redemption other than at the sole option of such Person, (f) obligations secured by a Lien on any asset of such Person, whether or not such obligation is otherwise an obligation of such Person, (g) “earnouts”, purchase price adjustments, profit sharing arrangements, deferred purchase money amounts and similar payment obligations or continuing obligations of any nature of such Person arising out of purchase and sale contracts, (h) all Indebtedness of others guaranteed by such Person, (i) off-balance sheet liabilities and/or pension plan or multiemployer plan liabilities of such Person, (j) obligations arising under non-compete agreements, (k) obligations arising under bonus, deferred compensation, incentive compensation or similar arrangements, other than those arising in the ordinary course of business and (l) Contingent Obligations.

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

“**Insolvent**” means not Solvent.

“**Intellectual Property**” means all of Borrower’s or any of its Subsidiaries’ right, title and interest in and to the following:

(a) its Copyrights, Trademarks and Patents;

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

(c) any and all source code;

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

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

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

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

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

“**IPO**” means the initial public offering and sale of Borrower’s common stock.

“**Key Person**” is each of Borrower’s (i) President and Chief Executive Officer, who is John Tucker as of the Effective Date and (ii) Chief Financial Officer, who is Troy Ignelzi as of the Effective Date.

“**Knowledge**” means to the “best of Borrower’s knowledge, or with a similar qualification, knowledge or awareness means the actual knowledge, after reasonable investigation, of the Responsible Officers.

“**Lender**” is any one of the Lenders.

“**Lenders**” are the Persons identified on Schedule 1.1 hereto and each assignee that becomes a party to this Agreement pursuant to Section 12.1.

**“Lenders’ Expenses”** are (a) all audit fees and expenses, costs, and expenses (including reasonable documented attorneys’ fees and expenses (whether generated in house or by outside counsel), as well as appraisal fees, fees incurred on account of lien searches, inspection fees, and filing fees) for preparing, amending, negotiating and administering the Loan Documents, and (b) all fees and expenses (including reasonable documented attorneys’ fees and expenses, as well as appraisal fees, fees incurred on account of lien searches, inspection fees, and filing fees) for defending and enforcing the Loan Documents (including, without limitation, those incurred in connection with appeals or Insolvency Proceedings) or otherwise incurred by Collateral Agent and/or the Lenders in connection with the Loan Documents. Borrower agrees that the sufficiency of documentation of any attorney fees hereunder shall be in Agent’s and Lender’s sole discretion, and Agent and Lenders have no obligation to provide detailed invoices of attorney’s fees to Borrower.

**“LIBOR Rate”** means the rate per annum rate published by the Intercontinental Exchange Benchmark Administration Ltd. (the **“Service”**) (or on any successor or substitute page of such Service, or any successor to or substitute for such Service) for a term of one month, which determination by Collateral Agent shall be conclusive in the absence of manifest error.

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

**“Loan Documents”** are, collectively, this Agreement, each Control Agreement, the Perfection Certificates, each Compliance Certificate, the ACH Letter, each Loan Payment Request Form, any Guarantees, the Exit Fee Agreement, any subordination agreements, any note, or notes or guaranties executed by Borrower or any other Person, any agreements creating or perfecting rights in the Collateral (including all insurance certificates and endorsements, landlord consents and bailee consents) and any other present or future agreement entered into by Borrower, any Guarantor or any other Person for the benefit of the Lenders and Collateral Agent, as applicable, in connection with this Agreement; all as amended, restated, or otherwise modified.

**“Loan Payment Request Form”** is that certain form attached hereto as Exhibit C.

**“Material Adverse Change”** is (a) a material impairment in the perfection or priority of Collateral Agent’s Lien in the Collateral or in the value of such Collateral; (b) a material adverse change in the business, operations or condition (financial or otherwise) of Borrower or any Subsidiary; or (c) a material impairment of the prospect of repayment of any portion of the Obligations when due.

**“Material Agreement”** is (a) any license, agreement or other contractual arrangement (other than purchase orders in the ordinary course of business) whereby Borrower or any of its Subsidiaries is reasonably likely to be required to transfer, either in-kind or in cash, in any period of twelve consecutive months prior to the Maturity Date, assets or property valued (book or market) at more than Two Hundred Fifty Thousand Dollars (\$250,000.00) in the aggregate and (b) each Sensile Agreement.

**“Maturity Date”** is May 1, 2021.

**“Obligations”** are all of Borrower’s obligations to pay when due any debts, principal, interest, Lenders’ Expenses, the Prepayment Premium, the Final Fee, and any other amounts Borrower owes the Collateral Agent or the Lenders now or later, in connection with, related to, following, or arising from, out of or under, this Agreement or, the other Loan Documents, or otherwise, including without limitation, all obligations relating to letters of credit, cash management services and foreign exchange contracts, if any, and including interest accruing after Insolvency Proceedings begin (whether or not allowed) and debts, liabilities, or obligations of Borrower assigned to the Lenders and/or Collateral Agent in connection with this Agreement and the other Loan Documents, and the performance of Borrower’s duties under the Loan Documents.

**“OFAC”** is the U.S. Department of Treasury Office of Foreign Assets Control.

**“OFAC Lists”** are, collectively, the Specially Designated Nationals and Blocked Persons List maintained by OFAC pursuant to Executive Order No. 13224, 66 Fed. Reg. 49079 (Sept. 25, 2001) and/or any other list of terrorists or other restricted Persons maintained pursuant to any of the rules and regulations of OFAC or pursuant to any other applicable Executive Orders.

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

**“Patents”** means all patents, patent applications and like protections including without limitation improvements, divisions, continuations, renewals, reissues, re-examination certificates, utility models, extensions and continuations-in-part of the same.

**“Payment Date”** is the first (1<sup>st</sup>) calendar day of each calendar month, commencing on July 1, 2017.

**“Permitted Indebtedness”** is:

(a) Borrower’s Indebtedness to the Lenders and Collateral Agent under this Agreement and the other Loan Documents;

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

(c) Subordinated Debt;

(d) unsecured Indebtedness to trade creditors and in connection with credit cards incurred in the ordinary course of business not to exceed \$100,000 in the aggregate outstanding at any time;

(e) Indebtedness consisting of capitalized lease obligations and purchase money Indebtedness, in each case incurred by Borrower or any of its Subsidiaries to finance the acquisition, repair, improvement or construction of fixed or capital assets of such person, provided that (i) the aggregate outstanding principal amount of all such Indebtedness does not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00) at any time and (ii) the principal amount of such Indebtedness does not exceed the lower of the cost or fair market value of the property so acquired or built or of such repairs or improvements financed with such Indebtedness (each measured at the time of such acquisition, repair, improvement or construction is made);

(f) Indebtedness incurred as a result of endorsing negotiable instruments received in the ordinary course of Borrower’s business;

(g) Subordinated Debt; and

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

**“Permitted Investments”** are:

(a) Investments disclosed on the Perfection Certificate and existing on the Effective Date;

(b) (i) Investments consisting of cash and Cash Equivalents, and (ii) any Investments permitted by Borrower’s investment policy, as amended from time to time, provided that such investment policy (and any such amendment thereto) has been approved in writing by Collateral Agent;

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

(d) Investments consisting of Deposit Accounts in which Collateral Agent has a perfected Lien (subject to the terms of this Agreement) for the ratable benefit of the Secured Parties;

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

(f) Investments consisting of (i) travel advances and employee relocation loans and other employee loans and advances in the ordinary course of business, and (ii) loans to employees, officers or directors relating to the purchase of equity securities of Borrower or its Subsidiaries pursuant to employee stock purchase plans or agreements approved by Borrower's board of directors; not to exceed Two Hundred Fifty Thousand Dollars (\$250,000.00) in the aggregate for (i) and (ii) in any fiscal year;

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

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

(i) non-cash Investments in joint ventures or strategic alliances in the ordinary course of Borrower's business consisting of the non-exclusive licensing of technology, the development of technology or the providing of technical support.

**"Permitted Licenses"** are (A) licenses of over-the-counter software that is commercially available to the public, and (B) non-exclusive licenses for the use of the Intellectual Property of Borrower or any of its Subsidiaries entered into in the ordinary course of business, provided, that, with respect to each such license described in clause (B), the license constitutes an arms-length transaction, the terms of which, on their face, do not provide for a sale or assignment of any Intellectual Property and do not restrict the ability of Borrower or any of its Subsidiaries, as applicable, to pledge, grant a security interest in or lien on, or assign or otherwise Transfer any Intellectual Property, and (C) exclusive licenses for the use of the Intellectual Property of Borrower or any of its Subsidiaries entered into in the ordinary course of business, provided, that, with respect to each such license described in this clause (C), the license (i) constitutes an arms-length transaction, the terms of which, on their face, do not provide for a sale or assignment of any Intellectual Property and do not restrict the ability of Borrower or any of its Subsidiaries, as applicable, to pledge, grant a security interest in or lien on, or assign or otherwise Transfer any Intellectual Property, (ii) is limited in territory with respect to a specific geographic country or region (i.e., Japan, Germany, northern China) outside of the United States, and (iii) Borrower has obtained the consent and acknowledgement of the counterparty to such license for the collateral assignment of such license to the Collateral Agent for the benefit of the Lenders.

**"Permitted Liens"** are:

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

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

(c) Liens securing Indebtedness permitted under clause (e) of the definition of "Permitted Indebtedness," provided that (i) such liens exist prior to the acquisition of, or attach substantially simultaneous with, or within twenty (20) days after the, acquisition, lease, repair, improvement or construction of, such property financed or leased by such Indebtedness and (ii) such liens do not extend to any property of Borrower other than the property (and proceeds thereof) acquired, leased or built, or the improvements or repairs, financed by such Indebtedness;

(d) Liens of carriers, warehousemen, suppliers, or other Persons that are possessory in nature arising in the ordinary course of business so long as such Liens attach only to Inventory, securing liabilities in the aggregate amount not to exceed Two Hundred Fifty Thousand Dollars (\$250,000.00), and which are not delinquent or remain payable without penalty or which are being contested in good faith and by appropriate proceedings which proceedings have the effect of preventing the forfeiture or sale of the property subject thereto;

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

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

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

(h) Liens arising by reason of zoning restrictions, easements, licenses, reservations, restrictions, covenants, rights-of-way, encroachments, minor defects or irregularities in title (including leasehold title) and other similar encumbrances on the use of real property that do not materially (i) impair the value or marketability of such real property or (ii) interfere with the ordinary conduct of the business conducted and proposed to be conducted at such real property;

(i) banker's liens, rights of setoff and Liens in favor of financial institutions incurred in the ordinary course of business arising in connection with Borrower's deposit accounts or securities accounts held at such institutions solely to secure payment of fees and similar costs and expenses and provided such accounts are maintained in compliance with Section 6.6(a) hereof;

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

(k) Permitted Licenses.

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

**"Prepayment Premium"** is, with respect to any Term Loan subject to prepayment prior to the Maturity Date, whether by mandatory or voluntary prepayment, acceleration or otherwise, an additional fee payable to the Lenders in amount equal to:

(i) for a prepayment made on or after the Effective Date through and including the first anniversary of the Effective Date, three percent (3.00%) of the principal amount of such Term Loan prepaid; and

(ii) for a prepayment made after the date which is after the first anniversary of the Effective Date and prior to the Maturity Date, one percent (1.00%) of the principal amount of the Term Loans prepaid.

Notwithstanding the foregoing, Collateral Agent and Lender agree to waive the Prepayment Premium if Collateral Agent and Lender (in its sole and absolute discretion) agree in writing to refinance the Term Loans prior to the Maturity Date.

**"Property"** means any interest in any kind of property or asset, whether real, personal or mixed, and whether tangible or intangible.

**"Pro Rata Share"** is, as of any date of determination, with respect to each Lender, a percentage (expressed as a decimal, rounded to the ninth decimal place) determined by dividing the outstanding principal amount of Term Loans held by such Lender by the aggregate outstanding principal amount of all Term Loans.

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

**“Registration”** means any registration, authorization, approval, license, permit, clearance, certificate, and exemption issued or allowed by the FDA or state pharmacy licensing authorities (including, without limitation, new drug applications, abbreviated new drug applications, biologics license applications, investigational new drug applications, over-the-counter drug monograph, device pre-market approval applications, device pre-market notifications, investigational device exemptions, product recertifications, manufacturing approvals, registrations and authorizations, CE Marks, pricing and reimbursement approvals, labeling approvals or their foreign equivalent, controlled substance registrations, and wholesale distributor permits).

**“Regulatory Action”** means an administrative, regulatory, or judicial enforcement action, proceeding, investigation or inspection, FDA Form 483 notice of inspectional observation, warning letter, untitled letter, other notice of violation letter, recall, seizure, Section 305 notice or other similar written communication, injunction or consent decree, issued by the FDA or a federal or state court.

**“Related Persons”** means, with respect to any Person, each Affiliate of such Person and each director, officer, employee, agent, trustee, representative, attorney, accountant and each insurance, environmental, legal, financial and other advisor and other consultants and agents of or to such Person or any of its Affiliates.

**“Required Lenders”** means (i) for so long as all of the Persons that are Lenders on the Effective Date (each an **“Original Lender”**) have not assigned or transferred any of their interests in their Term Loan other than to an Affiliate of such Lender, Lenders holding one hundred percent (100%) of the aggregate outstanding principal balance of the Term Loan, or (ii) at any time from and after any Original Lender has assigned or transferred any interest in its Term Loan, Lenders holding at least sixty six percent (66%) of the aggregate outstanding principal balance of the Term Loan and, in respect of this clause (ii), (A) each Original Lender that has not assigned or transferred any portion of its Term Loan, (B) each assignee or transferee of an Original Lender’s interest in the Term Loan, but only to the extent that such assignee or transferee is an Affiliate or Approved Fund of such Original Lender, and (C) any Person providing financing to any Person described in clauses (A) and (B) above; provided, however, that this clause (C) shall only apply upon the occurrence of a default, event of default or similar occurrence with respect to such financing.

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

**“Responsible Officer”** is any of the President, Chief Executive Officer, or Chief Financial Officer of Borrower acting alone.

**“Secured Parties”** means the Collateral Agent and the Lenders.

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

**“Sensile Agreements”** are each of the agreements listed in Exhibit H hereto and each other agreement among Borrower and Sensile Holding AG or its Affiliates, in each case as may be amended, amended and restated, supplemented or otherwise modified from time to time.

**“Solvent”** means, with respect to any Person, that (a) the fair salable value of such Person’s consolidated assets (including goodwill minus disposition costs) exceeds the fair value of such Person’s liabilities, (b) such Person is not left with unreasonably small capital giving effect to the transactions contemplated by this Agreement and the other Loan Documents, and (c) such Person is able to pay its debts (including trade debts) as they mature in the ordinary course (without taking into account any forbearance and extensions related thereto).

“**Subordinated Debt**” is indebtedness incurred by Borrower or any of its Subsidiaries subordinated to all Indebtedness of Borrower and/or its Subsidiaries to the Lenders (pursuant to a subordination, intercreditor, or other similar agreement in form and substance satisfactory to Collateral Agent and the Required Lenders entered into between Collateral Agent, Borrower, and/or any of its Subsidiaries, and the other creditor), on terms acceptable to Collateral Agent and the Required Lenders in their sole discretion.

“**Subsidiary**” is, with respect to any Person, any Person of which more than fifty percent (50%) of the voting stock or other equity interests (in the case of Persons other than corporations) is owned or controlled, directly or indirectly, by such Person or through one or more intermediaries.

“**Term Loan Commitment**” is, for any Lender, the obligation of such Lender to make a Term Loan, up to the principal amount shown on Schedule 1.1. “**Term Loan Commitments**” means the aggregate amount of such commitments of all Lenders.

“**Trademarks**” means any trademark and servicemark rights, whether registered or not, applications to register and registrations of the same and like protections, and the entire goodwill of the business of Borrower and each of its Subsidiaries connected with and symbolized by such trademarks.

“**Unqualified Opinion**” means an opinion on financial statements from an independent certified public accounting firm acceptable to Collateral Agent in its reasonable discretion which opinion shall not include any qualifications or any going concern limitations.

## 2. LOANS AND TERMS OF PAYMENT

**2.1 Promise to Pay.** Borrower hereby unconditionally promises to pay each Lender, the outstanding principal amount of all Term Loans advanced to Borrower by such Lender and accrued and unpaid interest thereon and any other amounts due hereunder as and when due in accordance with this Agreement.

### **2.2 Term Loans.**

(a) Availability. Subject to the terms and conditions of this Agreement, the Lenders agree, severally and not jointly, to make term loans to Borrower on the Effective Date in an aggregate principal amount of Ten Million Dollars (\$10,000,000.00) according to each Lender’s Term Loan Commitment as set forth on Schedule 1.1 hereto (such term loans are hereinafter referred to singly as a “**Term Loan**”, and collectively as the “**Term Loans**”). After repayment, no Term Loan may be re-borrowed.

(b) Repayment. Borrower shall make monthly payments of interest only commencing on the first (1<sup>st</sup>) Payment Date following the Funding Date of each Term Loan, and continuing on the Payment Date of each successive month thereafter through and including the Payment Date immediately preceding the Amortization Date. Borrower agrees to pay, on the Funding Date of each Term Loan, any initial partial monthly interest payment otherwise due for the period between the Funding Date of such Term Loan and the first Payment Date after such Funding Date. Commencing on the Amortization Date, and continuing on the Payment Date of each month thereafter, Borrower shall (i) make monthly payments of interest, directly to each Lender in accordance with its Pro Rata Share, as calculated by Collateral Agent (which calculations shall be deemed correct absent manifest error) based upon the effective rate of interest applicable to the Term Loan, as determined in Section 2.3(a) plus (ii) make consecutive equal monthly payments of principal directly to each Lender in accordance with its Pro Rata Share, as calculated by Collateral Agent (which calculations shall be deemed correct absent manifest error) based upon: (A) the respective principal amounts of such Lender’s Term Loans outstanding, and (B) a repayment schedule equal to thirty (30) months. All unpaid principal and accrued and unpaid interest with respect to each such Term Loan is due and payable in full on the Maturity Date. The Term Loans may only be prepaid in accordance with Sections 2.2(c) and 2.2(d).

(c) Mandatory Prepayments. If the Term Loans are accelerated pursuant to Section 9.1 following the occurrence and during the continuance of an Event of Default, Borrower shall immediately pay to Lenders, payable to each Lender in accordance with its respective Pro Rata Share, an amount equal to the sum of: (i) all outstanding principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (ii) the Final Fee, (iii) the Prepayment Premium, plus (iv) all other Obligations that are due and payable, including Lenders’ Expenses and interest at the Default Rate with respect to any past due amounts. Notwithstanding (but without duplication with) the foregoing, on the Maturity Date, if the Final Fee had not previously been paid in full in connection with the prepayment of the Term Loans in full, Borrower shall pay to each Lender in accordance with its respective Pro Rata Share, the Final Fee in respect of the Term Loans.

(d) **Permitted Prepayment of Term Loans.** Borrower shall have the option to prepay all, but not less than all of the outstanding principal balance of the Term Loans advanced by the Lenders under this Agreement, provided Borrower (i) provides written notice to Collateral Agent of its election to prepay the Term Loans at least five (5) Business Days prior to such prepayment, and (ii) pays to the Lenders on the date of such prepayment, payable to each Lender in accordance with its respective Pro Rata Share, an amount equal to the sum of (A) the outstanding principal of the Term Loans plus accrued and unpaid interest thereon through the prepayment date, (B) the Final Fee, (C) the Prepayment Premium, plus (D) all other Obligations that are due and payable on such prepayment date, including any Lenders' Expenses and interest at the Default Rate (if any) with respect to any past due amounts.

### 2.3 Payment of Interest on the Term Loans.

(a) **Interest Rate.** Subject to Section 2.3(b), the principal amount outstanding under the Term Loans shall accrue interest at a floating per annum rate equal to the LIBOR Rate in effect from time to time *plus* 8.45%, which aggregate interest rate shall be determined by Collateral Agent on the third Business Day prior to the Funding Date of the applicable Term Loan and on the date occurring on the first Business Day of the month prior to each Payment Date occurring thereafter, which interest shall be payable monthly in arrears in accordance with Sections 2.2(b) and 2.3(e). Except as set forth in Section 2.2(b), such interest shall accrue on each Term Loan commencing on, and including, the Funding Date of such Term Loan, and shall accrue on the principal amount outstanding under such Term Loan through and including the day on which such Term Loan is paid in full (or any payment is made hereunder).

(b) **Default Rate.** Immediately upon the occurrence and during the continuance of an Event of Default, all Obligations shall accrue interest at a fixed per annum rate equal to the rate that is otherwise applicable thereto plus five percentage points (5.00%) (the "**Default Rate**"). Payment or acceptance of the increased interest rate provided in this Section 2.3(b) is not a permitted alternative to timely payment and shall not constitute a waiver of any Event of Default or otherwise prejudice or limit any rights or remedies of Collateral Agent.

(c) **360-Day Year.** Interest shall be computed on the basis of a three hundred sixty (360) day year for the actual number of days elapsed.

(d) **Debit of Accounts.** Collateral Agent and each Lender may debit (or ACH) any deposit accounts, maintained by Borrower, including the Designated Deposit Account, for principal and interest payments or any other amounts Borrower owes the Lenders under the Loan Documents when due. Any such debits (or ACH activity) shall not constitute a set-off.

(e) **Payments.** Except as otherwise expressly provided herein, all payments by Borrower under the Loan Documents shall be made to the respective Lender to which such payments are owed, at such Person's office in immediately available funds on the date specified herein. Unless otherwise provided, interest is payable monthly on the Payment Date of each month. Payments of principal and/or interest received after 2:00 pm Eastern time are considered received at the opening of business on the next Business Day. When a payment is due on a day that is not a Business Day, the payment is due the next Business Day and additional fees or interest, as applicable, shall continue to accrue until paid. All payments to be made by Borrower hereunder or under any other Loan Document, including payments of principal and interest, and all fees, expenses, indemnities and reimbursements, shall be made without set-off, recoupment or counterclaim, in lawful money of the United States and in immediately available funds. Collateral Agent may at its discretion and with prior notice of at least one (1) Business Day, initiate debit entries to the Borrower's account as authorized on the ACH Letter (i) on each payment date of all Obligations then due and owing, (ii) at any time any payment due and owing with respect to Lender Expenses, and (iii) upon an Event of Default, any other Obligations outstanding.



**2.4 Fees.** Borrower shall pay to Collateral Agent and/or Lenders (as applicable) the following fees, which shall be deemed fully earned and non-refundable upon payment:

(a) **Closing Fee.** To Solar, a fully-earned, non-refundable closing fee in the amount of \$80,000 (the “**Closing Fee**”), which shall be due on the Effective Date;

(b) **Final Fee.** The Final Fee, when due hereunder, to be shared between the Lenders in accordance with their respective Pro Rata Shares;

(c) **Prepayment Premium.** The Prepayment Premium, when due hereunder, to be shared between the Lenders in accordance with their respective Pro Rata Shares;

(d) **Lenders’ Expenses.** All Lenders’ Expenses (including reasonable documented attorneys’ fees and expenses for documentation and negotiation of this Agreement) incurred through and after the Effective Date, when due.

**2.5 Withholding.** Payments received by the Collateral Agent or the Lenders from Borrower hereunder will be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any governmental authority (including any interest, additions to tax or penalties applicable thereto). Specifically, however, if at any time any Governmental Authority, applicable law, regulation or international agreement requires Borrower to make any withholding or deduction from any such payment or other sum payable hereunder to the Lenders, Borrower hereby covenants and agrees that the amount due from Borrower with respect to such payment or other sum payable hereunder will be increased to the extent necessary to ensure that, after the making of such required withholding or deduction (and including any such withholdings and deductions applicable to additional sums payable under this Section), each Lender receives a net sum equal to the sum which it would have received had no withholding or deduction been required and Borrower shall pay the full amount withheld or deducted to the relevant Governmental Authority. Borrower will, upon request, furnish the Lenders with proof reasonably satisfactory to the Lenders indicating that Borrower has made such withholding payment; provided, however, that Borrower need not make any withholding payment if the amount or validity of such withholding payment is contested in good faith by appropriate and timely proceedings and as to which payment in full is bonded or reserved against by Borrower. The agreements and obligations of Borrower contained in this Section 2.5 shall survive the termination of this Agreement.

**2.6 Secured Promissory Notes.** If requested by a Lender, the Term Loans shall be evidenced by a Secured Promissory Note or Notes in the form attached as Exhibit G hereto (each a “**Secured Promissory Note**”), and shall be repayable as set forth in this Agreement. Borrower irrevocably authorizes each Lender to make or cause to be made, on or about the Funding Date of any Term Loan or at the time of receipt of any payment of principal on such Lender’s Secured Promissory Note, an appropriate notation on such Lender’s Secured Promissory Note Record reflecting the making of such Term Loan or (as the case may be) the receipt of such payment. The outstanding amount of each Term Loan set forth on such Lender’s Secured Promissory Note Record shall be, absent manifest error, prima facie evidence of the principal amount thereof owing and unpaid to such Lender, but the failure to record, or any error in so recording, any such amount on such Lender’s Secured Promissory Note Record shall not limit or otherwise affect the obligations of Borrower under any Secured Promissory Note or any other Loan Document to make payments of principal of or interest on any Secured Promissory Note when due. Upon receipt of an affidavit (with customary indemnification) of an officer of a Lender as to the loss, theft, destruction, or mutilation of its Secured Promissory Note, Borrower shall issue, in lieu thereof, a replacement Secured Promissory Note in the same principal amount thereof and of like tenor.

### **3. CONDITIONS OF LOANS**

**3.1 Conditions Precedent to Initial Term Loan.** Each Lender’s obligation to make a Term Loan is subject to the condition precedent that Collateral Agent and each Lender shall consent to or shall have received, in form and substance satisfactory to Collateral Agent and each Lender, such documents, and completion of such other matters, as Collateral Agent and each Lender may have reasonably requested, including, without limitation:

(a) original Loan Documents, each duly executed by Borrower and each Subsidiary, as applicable;

(b) a completed Perfection Certificate for Borrower and its Subsidiaries;

(c) duly executed original Control Agreements with respect to any Collateral Accounts maintained by Borrower or any of its Subsidiaries;

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

(e) a certificate of Borrower in substantially the form of Exhibit E hereto executed by the Secretary of Borrower with appropriate insertions and attachments, including with respect to (i) the Operating Documents of Borrower (which Certificate of Incorporation of Borrower shall be certified by the Secretary of State of the State of Delaware) and (ii) the resolutions adopted by Borrower's board of directors for the purpose of approving the transactions contemplated by the Loan Documents;

(f) certified copies, dated as of date no earlier than thirty (30) days prior to the Effective Date, of financing statement searches, as Collateral Agent shall request, accompanied by written evidence (including any UCC termination statements) that the Liens indicated in any such financing statements either constitute Permitted Liens or have been or, in connection with the initial Term Loan, will be terminated or released;

(g) a duly executed legal opinion of counsel to Borrower dated as of the Effective Date;

(h) evidence satisfactory to Collateral Agent and the Lenders that the insurance policies required by Section 6.5 hereof are in full force and effect; and

(i) payment of the Closing Fee and Lenders' Expenses then due as specified in Section 2.4 hereof.

**3.2 Conditions Precedent to all Term Loans.** The obligation of each Lender to extend each Term Loan, including the initial Term Loan, is subject to the following conditions precedent:

(a) receipt by Collateral Agent of an executed Loan Payment Request Form in the form of Exhibit C attached hereto;

(b) the representations and warranties in Section 5 hereof shall be true, accurate and complete in all material respects on the Funding Date of each Term Loan; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date, and no Event of Default shall have occurred and be continuing or result from the funding of such Term Loan;

(c) in such Lender's reasonable discretion, there has not been any Material Adverse Change;

(d) No Event of Default or an event that with the passage of time could result in an Event of Default, shall exist; and

(e) payment of the fees and Lenders' Expenses then due as specified in Section 2.4 hereof.

**3.3 Post-Closing Condition.** Borrower shall deliver to Collateral Agent within thirty (30) days after the Effective Date, together with appropriate evidence showing loss payable and/or additional insured clauses or endorsements in favor of Collateral Agent, for the ratable benefit of the Secured Parties.

**3.4 Covenant to Deliver.** Borrower agrees to deliver to Collateral Agent and the Lenders each item required to be delivered to Collateral Agent under this Agreement as a condition precedent to any Term Loan. Borrower expressly agrees that a Term Loan made prior to the receipt by Collateral Agent or any Lender of any such item shall not constitute a waiver by Collateral Agent or any Lender of Borrower's obligation to deliver such item, and any such Term Loan in the absence of a required item shall be made in each Lender's sole discretion.

**3.5 Procedures for Borrowing.** Subject to the prior satisfaction of all other applicable conditions to the making of a Term Loan set forth in this Agreement, to obtain a Term Loan (other than the Term Loan funded on the Effective Date), Borrower shall notify the Lenders (which notice shall be irrevocable) by electronic mail, facsimile, or telephone by 2:00 pm New York City time three (3) Business Days prior to the date the Term Loan is to be made. Together with any such electronic, facsimile or telephonic notification, Borrower shall deliver to Collateral Agent by electronic mail or facsimile a completed Loan Payment Request Form executed by a Responsible Officer or his or her designee. The Collateral Agent may rely on any telephone notice given by a person whom Collateral Agent reasonably believes is a Responsible Officer or designee.

#### **4. CREATION OF SECURITY INTEREST**

**4.1 Grant of Security Interest.** Borrower hereby grants Collateral Agent, for the ratable benefit of the Secured Parties, to secure the payment and performance in full of all of the Obligations, a continuing first priority security interest in, and pledges to Collateral Agent, for the ratable benefit of the Secured Parties, the Collateral, wherever located, whether now owned or hereafter acquired or arising, and all proceeds and products and supporting obligations (as defined in the Code) in respect thereof. If Borrower shall acquire any commercial tort claim (as defined in the Code), Borrower shall grant to Collateral Agent, for the ratable benefit of the Secured Parties, a first priority security interest therein and in the proceeds and products and supporting obligations (as defined in the Code) thereof, all upon the terms of this Agreement, with such writing to be in form and substance reasonably satisfactory to Collateral Agent.

If this Agreement is terminated, Collateral Agent's Lien in the Collateral shall continue until the Obligations (other than inchoate indemnity obligations) are repaid in full in cash. Upon payment in full in cash of the Obligations (other than inchoate indemnity obligations) and at such time as the Lenders' obligation to extend Term Loans has terminated, Collateral Agent shall, at the sole cost and expense of Borrower, terminate and release its Liens in the Collateral and all rights therein shall revert to Borrower.

**4.2 Authorization to File Financing Statements.** Borrower hereby authorizes Collateral Agent to file financing statements or take any other action required to perfect Collateral Agent's security interests in the Collateral (held for the ratable benefit of the Secured Parties), without notice to Borrower, with all appropriate jurisdictions to perfect or protect Collateral Agent's interest or rights under the Loan Documents.

#### **5. REPRESENTATIONS AND WARRANTIES**

Borrower represents and warrants to Collateral Agent and the Lenders as follows:

**5.1 Due Organization, Authorization: Power and Authority.** Borrower and each of its Subsidiaries is duly existing and in good standing as a Registered Organization in its jurisdictions of organization or formation and Borrower and each of its Subsidiaries is qualified and licensed to do business and is in good standing in any jurisdiction in which the conduct of its businesses or its ownership of property requires that it be so qualified except where the failure to do so could not reasonably be expected to have a Material Adverse Change. In connection with this Agreement, Borrower and its Subsidiaries have delivered to Collateral Agent a completed perfection certificate and any updates or supplements thereto on, before or after the Effective Date (the "**Perfection Certificate**"). Borrower represents and warrants that all the information set forth on the Perfection Certificate (as may be updated pursuant to specific provisions herein) pertaining to Borrower and its Subsidiaries is accurate and complete.

The execution, delivery and performance by Borrower and each of its Subsidiaries of the Loan Documents to which it is, or they are, a party have been duly authorized, and do not (i) conflict with any of Borrower's or such Subsidiaries' organizational documents, including its respective Operating Documents, (ii) contravene, conflict with, constitute a default under or violate any material Requirement of Law applicable thereto, (iii) contravene, conflict or violate any applicable order, writ, judgment, injunction, decree, determination or award of any Governmental Authority by which Borrower or such Subsidiary, or any of their property or assets may be bound or affected, (iv) require any action by, filing, registration, or qualification with, or Governmental Approval from, any Governmental Authority (except such Governmental Approvals which have already been obtained and are in full force and effect) or are being obtained pursuant to Section 6.1(b), or (v) constitute an event of default under any material agreement by which Borrower, any of its Subsidiaries or any of their respective properties, is bound. Neither Borrower nor any of its Subsidiaries is in default under any agreement to which it is a party or by which it or any of its assets is bound in which such default could reasonably be expected to have a Material Adverse Change.

## 5.2 Collateral.

(a) Borrower and each its Subsidiaries have good title to, have rights in, and the power to transfer each item of the Collateral upon which it purports to grant a Lien under the Loan Documents, free and clear of any and all Liens except Permitted Liens, and neither Borrower nor any of its Subsidiaries have any Deposit Accounts, Securities Accounts, Commodity Accounts or other investment accounts other than the Collateral Accounts or the other investment accounts, if any, described in the Perfection Certificate delivered to Collateral Agent in connection herewith in respect of which Borrower or such Subsidiary has given Collateral Agent notice and taken such actions as are necessary to give Collateral Agent a perfected security interest therein as required under this Agreement. The Accounts are bona fide, existing obligations of the Account Debtors.

(b) The security interest granted herein is and shall at all times continue to be a first priority perfected security interest in the Collateral, subject only to involuntary Permitted Liens that, under applicable law, have priority over Collateral Agent's Lien.

(c) On the Effective Date, and except as disclosed on the Perfection Certificate (i) the Collateral (other than mobile equipment such as laptop computers in the possession of Borrower's employees in the ordinary course of business) is not in the possession of any third party bailee, and (ii) no such third party bailee possesses components of the Collateral in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00).

(d) All Inventory and Equipment is in all material respects of good and marketable quality, free from material defects.

(e) Borrower and each of its Subsidiaries is the sole owner of the Intellectual Property each respectively purports to own, free and clear of all Liens other than Permitted Liens. Except as noted on the Perfection Certificate (which, upon the consummation of a transaction not prohibited by this Agreement, may be updated to reflect such transaction), neither Borrower nor any of its Subsidiaries is a party to, nor is bound by, any material license or other Material Agreement.

**5.3 Litigation.** Except as disclosed on the Perfection Certificate or with respect to which Borrower has provided notice as required hereunder, there are no actions, suits, investigations, or proceedings pending or, to the Knowledge of the Responsible Officers, threatened in writing by or against Borrower or any of its Subsidiaries involving more than Two Hundred Fifty Thousand Dollars (\$250,000.00).

**5.4 No Material Adverse Change; Financial Statements.** All consolidated financial statements for Borrower and its consolidated Subsidiaries, delivered to Collateral Agent fairly present, in conformity with GAAP, and in all material respects the consolidated financial condition of Borrower and its consolidated Subsidiaries, and the consolidated results of operations of Borrower and its consolidated Subsidiaries, as of the date thereof, except that unaudited financial statements may be subject to normal adjustments and need not contain adjustments for items such as stock compensation or depreciation, or footnotes. Since December 31, 2016, there has not been a Material Adverse Change.

**5.5 Solvency.** Borrower is Solvent. Borrower and each of its Subsidiaries, when taken as a whole, is Solvent.

**5.6 Regulatory Compliance.** Neither Borrower nor any of its Subsidiaries is an "investment company" or a company "controlled" by an "investment company" under the Investment Company Act of 1940, as amended. Neither Borrower nor any of its Subsidiaries is engaged as one of its important activities in extending credit for margin stock (under Regulations X, T and U of the Federal Reserve Board of Governors). Borrower and each of its Subsidiaries has complied in all material respects with the Federal Fair Labor Standards Act. Neither Borrower nor any of its Subsidiaries is a "holding company" or an "affiliate" of a "holding company" or a "subsidiary company" of a "holding company" as each term is defined and used in the Public Utility Holding Company Act of 2005. Neither Borrower nor any of its Subsidiaries has violated any laws, ordinances or rules, the violation of which could reasonably be expected to have a Material Adverse Change. Neither Borrower's nor any of

its Subsidiaries' properties or assets has been used by Borrower or such Subsidiary or, to Borrower's Knowledge, by previous Persons, in disposing, producing, storing, treating, or transporting any hazardous substance other than in material compliance with applicable laws. Borrower and each of its Subsidiaries has obtained all material consents, approvals and authorizations of, made all declarations or filings with, and given all notices to, all Governmental Authorities that are necessary to continue their respective businesses as currently conducted.

None of Borrower, any of its Subsidiaries, or any of Borrower's or its Subsidiaries' Affiliates or any of their respective agents acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement is (i) in violation of any Anti-Terrorism Law, (ii) engaging in or conspiring to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law, or (iii) is a Blocked Person. None of Borrower, any of its Subsidiaries, or to the Knowledge of Borrower and any of their Affiliates or agents, acting or benefiting in any capacity in connection with the transactions contemplated by this Agreement, (x) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Blocked Person, or (y) deals in, or otherwise engages in any transaction relating to, any property or interest in property blocked pursuant to Executive Order No. 13224, any similar executive order or other Anti-Terrorism Law.

**5.7 Investments.** Neither Borrower nor any of its Subsidiaries owns any stock, shares, partnership interests or other equity securities except for Permitted Investments.

**5.8 Tax Returns and Payments; Pension Contributions.** Borrower and each of its Subsidiaries has timely filed all required tax returns and reports, and Borrower and each of its Subsidiaries, has timely paid all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower and such Subsidiaries in an amount greater than Ten Thousand Dollars (\$10,000), in all jurisdictions in which Borrower or any such Subsidiary is subject to taxes, including the United States, unless such taxes are being contested in accordance with the next sentence. Borrower and each of its Subsidiaries, may defer payment of any contested taxes, provided that Borrower or such Subsidiary, (a) in good faith contests its obligation to pay the taxes by appropriate proceedings promptly and diligently instituted and conducted; (b) notifies Collateral Agent of the commencement of, and any material development in, the proceeding; and (c) adequate reserves or other appropriate provisions are maintained on the books of such Borrower or Subsidiary, as applicable, in accordance with GAAP and which do not involve, in the reasonable judgment of the Collateral Agent, any risk of the sale, forfeiture or loss of any material portion of the Collateral. Neither Borrower nor any of its Subsidiaries is aware of any claims or adjustments proposed for any of Borrower's or such Subsidiaries', prior tax years which could result in additional taxes in an amount greater than Ten Thousand Dollars (\$10,000) becoming due and payable by Borrower or its Subsidiaries. Borrower and each of its Subsidiaries have paid all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with their terms, and neither Borrower nor any of its Subsidiaries have, withdrawn from participation in, and have not permitted partial or complete termination of, or permitted the occurrence of any other event with respect to, any such plan which could reasonably be expected to result in any liability of Borrower or its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

**5.9 Use of Proceeds.** Borrower shall use the proceeds of the Term Loans, as working capital and to fund its general business requirements, and not for personal, family, household or agricultural purposes.

**5.10 Full Disclosure.** No written representation, warranty or other statement of Borrower or any of its Subsidiaries in any certificate or written statement, when taken as a whole, given to Collateral Agent or any Lender in connection with the Loan Documents or the transactions contemplated thereby, as of the date such representation, warranty, or other statement was made, taken together with all such written certificates and written statements given to Collateral Agent or any Lender, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements contained in the certificates or statements not misleading in light of the circumstances under which they were made (it being recognized that projections and forecasts provided by Borrower in good faith and based upon reasonable assumptions are not viewed as facts and that actual results during the period or periods covered by such projections and forecasts may differ from the projected or forecasted results).

**5.11 Intellectual Property.** Borrower and each of its Subsidiaries have sufficient title and ownership of or licenses to all patents, trademarks, service marks, trade names, domain names, copyrights, trade secrets, information, proprietary rights and processes necessary for the business of Borrower and each of its Subsidiaries as now conducted and presently proposed to be conducted without any known violation or infringement of the rights of others, and has no reason to believe that any Patents included in such Intellectual Property is not or, once issued will not be, valid and enforceable in any material manner. To Borrower's knowledge, there is no material prior art that would likely render the claims in any such Patents unpatentable, invalid, or unenforceable in whole or in part, or would preclude the issuance of claims covering Borrower's products and product candidates. To Borrower's knowledge, no third party is infringing or misappropriating any of the Intellectual Property or has challenged the ownership, scope, duration, validity, enforceability, priority or right to use any of the Intellectual Property (including, by way of example, through the institution of or written threat of institution of inter partes review, interference, reexamination, protest, opposition, nullity or similar invalidity proceeding before the United States Patent and Trademark Office or any analogous foreign entity) that is material to the business of Borrower and each of its Subsidiaries as now conducted and presently proposed to be conducted. Except for the Sensile Agreements, to Borrower's knowledge there are no options, licenses, agreements, understandings, instruments, contracts, proposed transactions, judgments, orders, writs, decrees, claims, encumbrances or shared ownership of interests of any kind relating to anything referred to above in this Section 5.11 that is to any extent owned by or exclusively licensed to Borrower or any of its Subsidiaries or that may involve any material license of any patent, copyright, trade secret or other proprietary right to or from Borrower or any of its Subsidiaries, in all cases that is material to the business of Borrower and each of its Subsidiaries as now conducted and proposed to be conducted. Except with respect to the Intellectual Property licensed under the Sensile Agreements, neither Borrower nor any of its Subsidiaries is bound by or a party to any options, licenses, agreements, understandings, instruments, or contracts of any kind with respect to the patents, trademarks, service marks, trade names, domain names, copyrights, trade secrets, licenses, information, proprietary rights and/or processes of any other person or entity, except, in either case, for standard end-user, object code, internal-use software license and support/maintenance agreements or customary research or commercial contracts in the ordinary course of the Borrower's business. Neither Borrower nor any of its Subsidiaries has received any written communications alleging, and Borrower is not aware of any facts that could give rise to any allegation, that Borrower or any of its Subsidiaries has infringed, misappropriated, or violated or would infringe, misappropriate, or violate, or offering to grant rights with respect to, any of the patents, trademarks, service marks, domain names, trade names, copyrights or trade secrets or other proprietary rights of any other person or entity. Borrower is not aware that any employees of Borrower or any of its Subsidiaries is obligated under any contract (including licenses, covenants or commitments of any nature) or other agreement, or subject to any judgment, decree or order of any court or administrative agency, that would interfere with the use of his or her reasonable efforts to promote the interests of Borrower and its Subsidiaries or that would conflict with the business of Borrower or its Subsidiaries. Neither the execution nor delivery of this Agreement, nor the carrying on of the business of Borrower or its Subsidiaries by the employees of Borrower or its Subsidiaries, will, to Borrower's knowledge, conflict with or result in a breach of the terms, conditions or provisions of, or constitute a default under, any contract, covenant or instrument under which any of such employees is now obligated. Borrower does not presently believe it is or will be necessary to utilize any inventions of any of the employees of Borrower or its Subsidiaries made prior to or outside the scope of their employment by Borrower or its Subsidiaries.

## **6. AFFIRMATIVE COVENANTS**

Borrower shall, and shall cause each of its Subsidiaries to, do all of the following:

### **6.1 Government Compliance.**

(a) Other than specifically permitted hereunder, maintain its and all its Subsidiaries' legal existence and good standing in their respective jurisdictions of organization and maintain qualification in each jurisdiction in which the failure to so qualify could reasonably be expected to have a Material Adverse Change. Comply with all laws, ordinances and regulations to which Borrower or any of its Subsidiaries is subject, the noncompliance with which could reasonably be expected to have a Material Adverse Change.

(b) Obtain and keep in full force and effect, all of the material Governmental Approvals necessary for the performance by Borrower and its Subsidiaries of their respective businesses and obligations under the Loan Documents and the grant of a security interest to Collateral Agent for the ratable benefit of the Secured Parties, in all of the Collateral.

## 6.2 Financial Statements, Reports, Certificates; Notices.

(a) Deliver to each Lender:

(i) as soon as available, but no later than thirty (30) days after the last day of each month, a company prepared consolidated and, if prepared by Borrower or if reasonably requested by the Lenders, consolidating balance sheet, income statement and cash flow statement covering the consolidated operations of Borrower and its consolidated Subsidiaries for such month certified by a Responsible Officer and in a form reasonably acceptable to the Collateral Agent;

(ii) as soon as available, but no later than one hundred eighty (180) days after the last day of Borrower's fiscal year or within five (5) days of filing of the same with the SEC, audited consolidated financial statements covering the consolidated operations of Borrower and its consolidated Subsidiaries for such fiscal year, prepared under GAAP, consistently applied, together with an Unqualified Opinion on the financial statements;

(iii) as soon as available after approval thereof by Borrower's board of directors, but no later than the earlier of (x) ten (10) days' after such approval and (y) February 28 of such year, Borrower's annual budget and financial projections for the entire current fiscal year as approved by Borrower's board of directors; provided that, any material revisions to such projections approved by Borrower's board of directors shall be delivered to Collateral Agent and the Lenders no later than seven (7) days after such approval);

(iv) within five (5) days of delivery, copies of all non-ministerial statements, reports and notices made available to Borrower's security holders generally or holders of Subordinated Debt (other than materials provided to members of the Borrower's board of directors solely in their capacities as security holder or holders of Subordinated Debt);

(v) in the event that Borrower becomes subject to the reporting requirements under the Securities Exchange Act of 1934, as amended, within five (5) days of filing, all reports on Form 10-K, 10-Q and 8-K filed with the Securities and Exchange Commission;

(vi) as soon as available, but no later than thirty (30) days after the last day of each month, copies of the month-end account statements for each Collateral Account maintained by Borrower or its Subsidiaries, which statements may be provided to Collateral Agent and each Lender by Borrower or directly from the applicable institution(s);

(vii) prompt delivery of (and in any event within five (5) days after the same are sent or received) copies of all material correspondence, reports, documents and other filings with any Governmental Authority that could reasonably be expected to have a material adverse effect on any of the Governmental Approvals material to Borrower's business or that otherwise could reasonably be expected to have a Material Adverse Change;

(viii) prompt notice of any event that (A) could reasonably be expected to materially and adversely affect the value of the Intellectual Property or (B) could reasonably be expected to result in a Material Adverse Change;

(ix) written notice delivered at least (30) days' prior to Borrower's (A) adding any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Two Hundred Fifty Thousand Dollars (\$250,000.00) in assets or property of Borrower or any of its Subsidiaries), (B) changing its respective jurisdiction of organization, (C) changing its organizational structure or type, (D) changing its respective legal name, or (E) changing any organizational number(s) (if any) assigned by its respective jurisdiction of organization;

(x) upon Borrower becoming aware of the existence of any Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default, prompt (and in any event within three (3) Business Days) written notice of such occurrence, which such notice shall include a reasonably detailed description of such Event of Default or event which, with the giving of notice or passage of time, or both, would constitute an Event of Default, and Borrower's proposal regarding how to cure such Event of Default or event;

(xi) immediate notice if Borrower or such Subsidiary has Knowledge that Borrower, or any Subsidiary or Affiliate of Borrower, is listed on the OFAC Lists or (a) is convicted on, (b) pleads *nolo contendere* to, (c) is indicted on, or (d) is arraigned and held over on charges involving money laundering or predicate crimes to money laundering;

(xii) notice of any commercial tort claim (as defined in the Code) or letter of credit rights (as defined in the Code) held by Borrower or any Guarantor, in each case in an amount greater than One Hundred Thousand Dollars (\$100,000.00) and of the general details thereof;

(xiii) if Borrower or any of its Subsidiaries is not now a Registered Organization but later becomes one, written notice of such occurrence and information regarding such Person's organizational identification number within seven (7) Business Days of receiving such organizational identification number; and

(xiv) other information as reasonably requested by Collateral Agent or any Lender.

(b) Concurrently with the delivery of the financial statements specified in Section 6.2(a)(i) above but no later than thirty (30) days after the last day of each month, deliver to each Lender:

(i) a duly completed Compliance Certificate signed by a Responsible Officer;

(ii) an updated Perfection Certificate to reflect any amendments, modifications and updates, if any, to certain information in the Perfection Certificate after the Effective Date to the extent such amendments, modifications and updates are permitted by one or more specific provisions in this agreement;

(iii) copies of any material Governmental Approvals obtained by Borrower or any of its Subsidiaries;

(iv) written notice of the commencement of, and any material development in, the proceedings contemplated by Section 5.8 hereof;

(v) prompt written notice of any litigation or governmental proceedings pending or threatened (in writing) against Borrower or any of its Subsidiaries, which could reasonably be expected to result in damages or costs to Borrower or any of its Subsidiaries of Two Hundred Fifty Thousand Dollars (\$250,000.00); and

(vi) written notice of all returns, recoveries, disputes and claims regarding Inventory that involve more than Two Hundred Fifty Thousand Dollars (\$250,000.00) individually or in the aggregate in any calendar year.

(c) Keep proper, complete and true books of record and account in accordance with GAAP in all material respects. Borrower shall, and shall cause each of its Subsidiaries to, allow, at the sole cost of Borrower, Collateral Agent or any Lender, during regular business hours upon reasonable prior notice (provided that no notice shall be required when an Event of Default has occurred and is continuing), to visit and inspect any of its properties, to examine and make abstracts or copies from any of its books and records, and to conduct a collateral audit and analysis of its operations and the Collateral. Such audits shall be conducted no more often than twice every year unless (and more frequently if) an Event of Default has occurred and is continuing.

**6.3 Inventory; Returns.** Keep all Inventory in good and marketable condition, free from material defects. Returns and allowances between Borrower, or any of its Subsidiaries, as applicable, and their respective Account Debtors shall follow Borrower's, or such Subsidiary's, customary practices as they exist as of the Effective Date. Borrower must promptly notify Collateral Agent and the Lenders of all returns, recoveries, disputes and claims that involve more than Two Hundred Fifty Thousand Dollars (\$250,000.00) individually or in the aggregate in any calendar year.



**6.4 Taxes; Pensions.** Timely file and require each of its Subsidiaries to timely file, all required tax returns and reports and timely pay, and require each of its Subsidiaries to timely file, all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower or its Subsidiaries, except as otherwise permitted pursuant to the terms of Section 5.8 hereof, and shall deliver to the Lenders, on demand, appropriate certificates attesting to such payments, and pay all amounts necessary to fund all present pension, profit sharing and deferred compensation plans in accordance with the terms of such plans.

**6.5 Insurance.** Keep Borrower's and its Subsidiaries' business and the Collateral insured for risks and in amounts standard for companies in Borrower's and its Subsidiaries' industry and location and as Collateral Agent may reasonably request. Insurance policies shall be in a form, with companies, and in amounts that are reasonably satisfactory to Collateral Agent and Lenders. All property policies shall have a lender's loss payable endorsement showing Collateral Agent as lender loss payee and shall waive subrogation against Collateral Agent, and all liability policies shall show, or have endorsements showing, Collateral Agent (for the ratable benefit of the Secured Parties), as additional insured. The Collateral Agent shall be named as lender loss payee and/or additional insured with respect to any such insurance providing coverage in respect of any Collateral, and each provider of any such insurance shall agree, by endorsement upon the policy or policies issued by it or by independent instruments furnished to the Collateral Agent, that it will give the Collateral Agent thirty (30) days prior written notice before any such policy or policies shall be materially altered or canceled. At Collateral Agent's request, Borrower shall deliver to the Collateral Agent certified copies of policies and evidence of all premium payments. Proceeds payable under any policy shall, at Collateral Agent's option, be payable to Collateral Agent, for the ratable benefit of the Secured Parties, on account of the then-outstanding Obligations. Notwithstanding the foregoing, (a) so long as no Event of Default has occurred and is continuing, Borrower shall have the option of applying the proceeds of any casualty policy within one hundred eighty (180) days of receipt thereof up to Two Hundred Fifty Thousand Dollars (\$250,000), in the aggregate for all losses under all casualty policies in any one year, toward the replacement or repair of destroyed or damaged property; provided that any such replaced or repaired property (i) shall be of equal or like value as the replaced or repaired Collateral and (ii) shall be deemed Collateral in which Collateral Agent has been granted a first priority security interest (subject only to Permitted Liens that are permitted by the terms of this Agreement to have priority over Collateral Agent's Lien), and (b) after the occurrence and during the continuance of an Event of Default, all proceeds payable under such casualty policy shall, at the option of Collateral Agent, be payable to Collateral Agent, for the ratable benefit of the Lenders, on account of the Obligations. If Borrower or any of its Subsidiaries fails to obtain insurance as required under this Section 6.5 or to pay any amount or furnish any required proof of payment to third persons, Collateral Agent and/or any Lender may make (but has no obligation to do so), at Borrower's expense, all or part of such payment or obtain such insurance policies required in this Section 6.5, and take any action under the policies Collateral Agent or such Lender deems prudent.

#### **6.6 Operating Accounts.**

(a) All of the Borrower's and its Subsidiaries' Collateral Accounts must be maintained in Collateral Accounts with Bank or its Affiliates, each of which are subject to a Control Agreement in favor of Collateral Agent for the ratable benefit of the Secured Parties.

(b) Borrower shall provide Collateral Agent ten (10) days' prior written notice before Borrower or any Guarantor establishes any Collateral Account. In addition, for each Collateral Account that Borrower or any Guarantor, at any time maintains, Borrower or such Guarantor shall cause the applicable bank or financial institution at or with which such Collateral Account is maintained to execute and deliver a Control Agreement or other appropriate instrument with respect to such Collateral Account to perfect Collateral Agent's Lien in such Collateral Account (held for the ratable benefit of the Secured Parties) in accordance with the terms hereunder prior to the establishment of such Collateral Account. The provisions of the previous sentence shall not apply to Deposit Accounts exclusively used for payroll, payroll taxes and other employee wage and benefit payments to or for the benefit of Borrower's, or any of its Subsidiaries', employees and identified to Collateral Agent by Borrower as such in the Perfection Certificate, provided that the amount deposited therein shall not exceed the amount reasonably expected to be due and payable for the next succeeding pay period.

(c) Neither Borrower nor any Guarantor shall maintain any Collateral Accounts except Collateral Accounts maintained in accordance with this Section 6.6.

**6.7 Protection of Intellectual Property Rights.** Borrower and each of its Subsidiaries shall: (a) protect, defend and maintain the validity and enforceability of its respective Intellectual Property that is material to its business; (b) promptly advise Collateral Agent in writing of material infringement by a third party of its respective Intellectual Property material to its business; and (c) not allow any of its respective Intellectual Property material to its respective business to be abandoned, forfeited or dedicated to the public without Collateral Agent's prior written consent.

**6.8 Litigation Cooperation.** Commencing on the Effective Date and continuing through the termination of this Agreement, make available to Collateral Agent and the Lenders, without expense to Collateral Agent or the Lenders and upon reasonable prior notice, Borrower and each of Borrower's officers, employees and agents and Borrower's Books, to the extent that Collateral Agent or any Lender may reasonably request to prosecute or defend any third-party suit or proceeding instituted by or against Collateral Agent or any Lender with respect to any Collateral or relating to Borrower.

**6.9 Landlord Waivers; Bailee Waivers.** In the event that Borrower or any of its Subsidiaries, after the Effective Date, intends to add any new offices or business locations, including warehouses, or otherwise store any portion of the Collateral with, or deliver any portion of the Collateral to, a bailee, in each case pursuant to Section 7.2, then, in the event that the Collateral at any new location is valued (based on book value) in excess of Two Hundred Fifty Thousand Dollars (\$250,000.00) in the aggregate, at Collateral Agent's election, such bailee or landlord, as applicable, must execute and deliver a bailee waiver or landlord waiver, as applicable, in form and substance reasonably satisfactory to Collateral Agent prior to the addition of any new offices or business locations, or any such storage with or delivery to any such bailee, as the case may be.

**6.10 Further Assurances.** Execute any further instruments and take further action as Collateral Agent or any Lender reasonably requests to perfect or continue Collateral Agent's Lien in the Collateral or to effect the purposes of this Agreement.

## **7. NEGATIVE COVENANTS**

Borrower shall not, and shall not permit any of its Subsidiaries to, do any of the following without the prior written consent of the Required Lenders:

**7.1 Dispositions.** Convey, sell, lease, transfer, assign, dispose of, license (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out, obsolete or surplus Equipment; (c) in connection with Permitted Liens, Permitted Investments or Permitted Licenses; (d) sale or issuance of any stock permitted under Section 7.2; (e) pursuant to the Sensile Agreements (as may be amended in accordance with Section 7.13); or (f) cash or Cash Equivalents pursuant to transactions not prohibited by this Agreement.

**7.2 Changes in Business, Management, Ownership, or Business Locations.** (a) Engage in or permit any of its Subsidiaries to engage in any business other than the businesses engaged in by Borrower or such Subsidiary, as applicable, as of the Effective Date or reasonably related thereto; (b) liquidate or dissolve; or (c) (i) permit any Key Person to cease being actively engaged in the management of Borrower unless written notice thereof is provided to each Lender within ten (10) days of such cessation, or (ii) enter into any transaction or series of related transactions in which (A) the stockholders of Borrower who were not stockholders immediately prior to the first such transaction own more than 40% of the voting stock of Borrower immediately after giving effect to such transaction or related series of such transactions (other than by the sale of Borrower's equity securities in a public offering, a private placement of public equity or to venture capital or private equity investors so long as Borrower identifies to Collateral Agent the investors prior to the closing of the transaction) and (B) except as permitted by Section 7.3, Borrower ceases to own, directly or indirectly, 100% of the ownership interests in each Subsidiary of Borrower. Borrower shall not, and shall not permit any of its Subsidiaries to, without at least thirty (30) days' prior written notice to Collateral Agent: (A) add any new offices or business locations, including warehouses (unless such new offices or business locations contain less than Two Hundred Fifty Thousand Dollars (\$250,000.00) in assets or property of Borrower or any of its Subsidiaries, as applicable); (B) change its respective jurisdiction of organization, (C) except as permitted by Section 7.3, change its respective organizational structure or type, (D) change its respective legal name, or (E) change any organizational number(s) (if any) assigned by its respective jurisdiction of organization.

**7.3 Mergers or Acquisitions.** Merge or consolidate, or permit any of its Subsidiaries to merge or consolidate, with any other Person, or acquire, or permit any of its Subsidiaries to acquire, all or substantially all of the capital stock, shares or property of another Person. A Subsidiary may merge or consolidate into another Subsidiary (provided if one of the Subsidiaries is a “co-Borrower” or guarantor hereunder, such surviving Subsidiary is a “co-Borrower” hereunder or has provided a secured Guaranty of Borrower’s Obligations hereunder) or with (or into) Borrower provided Borrower is the surviving legal entity, and as long as no Event of Default is occurring prior thereto or arises as a result therefrom.

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

**7.5 Encumbrance.** Create, incur, allow, or suffer any Lien on any of its property, or assign or convey any right to receive income, including the sale of any Accounts, or permit any of its Subsidiaries to do so, except for Permitted Liens, or permit any Collateral not to be subject to the first priority security interest granted herein (except for Permitted Liens), or enter into any agreement, document, instrument or other arrangement (except with or in favor of Collateral Agent, for the ratable benefit of the Secured Parties) with any Person which directly or indirectly prohibits or has the effect of prohibiting Borrower, or any of its Subsidiaries, from assigning, mortgaging, pledging, granting a security interest in or upon, or encumbering any of Borrower’s or such Subsidiary’s Intellectual Property, except as is otherwise permitted in Section 7.1 hereof and the definition of “Permitted Liens”.

**7.6 Maintenance of Collateral Accounts.** With respect to Borrower any Guarantors, maintain any Collateral Account except pursuant to the terms of Section 6.6 hereof.

**7.7 Restricted Payments.** (a) Declare or pay any dividends (other than dividends payable solely in capital stock) or make any other distribution or payment in respect of or redeem, retire or purchase any capital stock (other than (i) the declaration or payment of dividends to Borrower, (ii) so long as no Event of Default or event that with the passage of time would result in an Event of Default exists or would result therefrom, the declaration or payment of any dividends solely in the form of equity securities, and (iii) repurchases pursuant to the terms of employee stock purchase plans, employee restricted stock agreements, stockholder rights plans, director or consultant stock option plans, or similar plans, provided such repurchases do not exceed Two Hundred Fifty Thousand Dollars (\$250,000.00) in the aggregate per fiscal year), (b) other than the Obligations in accordance with the terms hereof, purchase, redeem, defease or prepay any principal of, premium, if any, interest or other amount payable in respect of any Indebtedness prior to its scheduled maturity unless being replaced with Indebtedness of at least the same principal amount and such new Indebtedness is Permitted Indebtedness, or (c) be a party to or bound by an agreement that restricts a Subsidiary from paying dividends or otherwise distributing property to Borrower.

**7.8 Investments.** Directly or indirectly make any Investment other than Permitted Investments, or permit any of its Subsidiaries to do so other than Permitted Investments.

**7.9 Transactions with Affiliates.** Directly or indirectly enter into or permit to exist any material transaction with any Affiliate of Borrower or any of its Subsidiaries, except for (a) transactions that are in the ordinary course of Borrower’s or such Subsidiary’s business, upon fair and reasonable terms that are no less favorable to Borrower or such Subsidiary than would be obtained in an arm’s length transaction with a non-affiliated Person, (b) Subordinated Debt or equity investments by Borrower’s investors in Borrower or its Subsidiaries and (c) transactions permitted pursuant to the terms of Section 7.2.

**7.10 Subordinated Debt.** (a) Make or permit any payment on any Subordinated Debt, except under the terms of the subordination, intercreditor, or other similar agreement to which such Subordinated Debt is subject, or (b) amend any provision in any document relating to the Subordinated Debt which would increase the amount thereof or adversely affect the subordination thereof to Obligations owed to the Lenders.

**7.11 Compliance.** (a) Become an “investment company” or a company controlled by an “investment company”, under the Investment Company Act of 1940, as amended, or undertake as one of its important activities extending credit to purchase or carry margin stock (as defined in Regulation U of the Board of Governors of the Federal Reserve System), or use the proceeds of any Term Loan for that purpose; (b) fail to meet the minimum funding requirements of ERISA; (c) permit a Reportable Event or Prohibited Transaction, as defined in ERISA, to occur; (d) fail to comply with the Federal Fair Labor Standards Act or violate any other law or regulation, if the violation could reasonably be expected to have a Material Adverse Change, or permit any of its Subsidiaries to do so; or (e) withdraw or permit any Subsidiary to withdraw from participation in, permit partial or complete

termination of, or permit the occurrence of any other event with respect to, any present pension, profit sharing and deferred compensation plan which could reasonably be expected to result in any liability of Borrower or any of its Subsidiaries, including any liability to the Pension Benefit Guaranty Corporation or its successors or any other Governmental Authority.

**7.12 Compliance with Anti-Terrorism Laws.** Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries permit any Affiliate to, directly or indirectly, knowingly enter into any documents, instruments, agreements or contracts with any Person listed on the OFAC Lists. Neither Borrower nor any of its Subsidiaries shall, nor shall Borrower or any of its Subsidiaries, permit any Affiliate to, directly or indirectly, (a) conduct any business or engage in any transaction or dealing with any Blocked Person, including, without limitation, the making or receiving of any contribution of funds, goods or services to or for the benefit of any Blocked Person, (b) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to Executive Order No. 13224 or any similar executive order or other Anti-Terrorism Law, or (c) engage in or conspire to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in Executive Order No. 13224 or other Anti-Terrorism Law.

**7.13 Sensile Agreements.** Neither Borrower nor any of its Subsidiaries shall, without the consent of Collateral Agent, (a) enter into a Sensile Agreement, (b) materially amend a Sensile Agreement or (c) terminate any Sensile Agreement.

## **8. EVENTS OF DEFAULT**

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

**8.1 Payment Default.** Borrower fails to (a) make any payment of principal or interest on any Term Loan on its due date, or (b) pay any other Obligations within three (3) Business Days after such Obligations are due and payable (which three (3) Business Day grace period shall not apply to payments due on the Maturity Date or the date of acceleration pursuant to Section 9.1 (a) hereof);

### **8.2 Covenant Default.**

(a) Borrower or any of its Subsidiaries fails or neglects to perform any obligation in Sections 6.2 (Financial Statements, Reports, Certificates), 6.4 (Taxes), 6.5 (Insurance), 6.6 (Operating Accounts), 6.7 (Protection of Intellectual Property Rights), 6.9 (Landlord Waivers; Bailee Waivers) or Borrower violates any provision in Section 7; or

(b) Borrower, or any of its Subsidiaries, fails or neglects to perform, keep, or observe any other term, provision, condition, covenant or agreement contained in this Agreement or any other Loan Document to which such person is a party, and as to any default (other than those specified in this Section 8) under such other term, provision, condition, covenant or agreement that can be cured, has failed to cure the default within ten (10) days after the occurrence thereof; provided, however, that if the default cannot by its nature be cured within the ten (10) day period or cannot after diligent attempts by Borrower or such Subsidiary, as applicable, be cured within such ten (10) day period, and such default is likely to be cured within a reasonable time, then Borrower shall have an additional period (which shall not in any case exceed thirty (30) days) to attempt to cure such default, and within such reasonable time period the failure to cure the default shall not be deemed an Event of Default (but no Term Loans shall be made during such cure period).

**8.3 Material Adverse Change.** A Material Adverse Change has occurred;

### **8.4 Attachment; Levy; Restraint on Business.**

(a) (i) The service of process seeking to attach, by trustee or similar process, any funds of Borrower or any of its Subsidiaries or of any entity under control of Borrower or its Subsidiaries on deposit with any institution at which Borrower or any of its Subsidiaries maintains a Collateral Account, or (ii) a notice of lien, levy, or assessment is filed against Borrower or any of its Subsidiaries or their respective assets by any government agency, and the same under subclauses (i) and (ii) of this clause (a) are not, within ten (10) days after the occurrence thereof, discharged or stayed (whether through the posting of a bond or otherwise); and

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

**8.5 Insolvency.** (a) Borrower or any of its Subsidiaries is or becomes Insolvent; (b) Borrower or any of its Subsidiaries begins an Insolvency Proceeding; or (c) an Insolvency Proceeding is begun against Borrower or any of its Subsidiaries and not dismissed or stayed within forty-five (45) days (but no Term Loans shall be extended while Borrower or any Subsidiary is Insolvent and/or until any Insolvency Proceeding is dismissed);

**8.6 Other Agreements.** There is a default in (a) any agreement to which Borrower or any of its Subsidiaries is a party with a third party or parties resulting in a right by such third party or parties, whether or not exercised, to accelerate the maturity of any Indebtedness in an amount in excess of One Hundred Thousand Dollars (\$100,000.00) or that could reasonably be expected to have a Material Adverse Change or (b) there is any default under a Material Agreement that permits the counterparty thereto to accelerate the payments owed thereunder;

**8.7 Judgments.** One or more judgments, orders, or decrees for the payment of money in an amount, individually or in the aggregate, of at least One Hundred Thousand Dollars (\$100,000.00) (not covered by independent third-party insurance as to which (a) Borrower reasonably believes such insurance carrier will accept liability, (b) Borrower or the applicable Subsidiary has submitted such claim to such insurance carrier and (c) liability has not been rejected by such insurance carrier) shall be rendered against Borrower or any of its Subsidiaries and shall remain unsatisfied, unvacated, or unstayed for a period of ten (10) days after the entry thereof;

**8.8 Misrepresentations.** Borrower or any of its Subsidiaries or any Person acting for Borrower or any of its Subsidiaries makes any representation, warranty, or other statement now or later in this Agreement, any Loan Document or in any writing delivered to Collateral Agent and/or the Lenders or to induce Collateral Agent and/or the Lenders to enter this Agreement or any Loan Document, and such representation, warranty, or other statement, when taken as a whole, is incorrect in any material respect when made;

**8.9 Subordinated Debt.** A default or breach occurs under any subordination agreement, or any creditor that has signed such an agreement with Collateral Agent or the Lenders breaches any terms of such agreement;

**8.10 Guaranty.** (a) Any Guaranty terminates or ceases for any reason to be in full force and effect other than pursuant to the terms of such Guaranty; (b) any Guarantor does not perform any obligation or covenant under any Guaranty; (c) any circumstance described in Section 8 occurs with respect to any Guarantor.

**8.11 Governmental Approvals; FDA Action.** (a) Any Governmental Approval shall have been revoked, rescinded, suspended, modified in an adverse manner, or not renewed in the ordinary course for a full term *and* such revocation, rescission, suspension, modification or non-renewal has resulted in or could reasonably be expected to result in a Material Adverse Change; or (b) (i) the FDA, DOJ or other Governmental Authority initiates a Regulatory Action or any other enforcement action against Borrower or any of its Subsidiaries or any supplier of Borrower or any of its Subsidiaries that causes Borrower or any of its Subsidiaries to recall, withdraw, remove or discontinue manufacturing, distributing, and/or marketing any of its products, even if such action is based on previously disclosed conduct; (ii) the FDA issues a warning letter to Borrower or any of its Subsidiaries with respect to any of its activities or products which could reasonably be expected to result in a Material Adverse Change; (iii) Borrower or any of its Subsidiaries conducts a mandatory or voluntary recall which could reasonably be expected to result in liability and expense to Borrower or any of its Subsidiaries of Two Hundred Fifty Thousand Dollars (\$250,000.00) or more; (iv) Borrower or any of its Subsidiaries enters into a settlement agreement with the FDA, DOJ or other Governmental Authority that results in aggregate liability as to any single or related series of transactions, incidents or conditions, of Two Hundred Fifty Thousand Dollars (\$250,000.00) or more, or that could reasonably be expected to result in a Material Adverse Change, even if such settlement agreement is based on previously disclosed conduct; or (v) the FDA revokes any authorization or permission granted under any Registration, or Borrower or any of its Subsidiaries withdraws any Registration, that could reasonably be expected to result in a Material Adverse Change.

**8.12 Lien Priority.** Except as the result of the action or inaction of the Collateral Agent or the Lenders, any Lien created hereunder or by any other Loan Document shall at any time fail to constitute a valid and perfected Lien on any of the Collateral purported to be secured thereby, subject to no prior or equal Lien, other than Permitted Liens arising as a matter of applicable law.

## **9. RIGHTS AND REMEDIES**

### **9.1 Rights and Remedies.**

(a) Upon the occurrence and during the continuance of an Event of Default, Collateral Agent may, and at the written direction of Required Lenders shall, without notice or demand, do any or all of the following: (i) deliver notice of the Event of Default to Borrower, (ii) by notice to Borrower declare all Obligations immediately due and payable (but if an Event of Default described in Section 8.5 occurs all Obligations shall be immediately due and payable without any action by Collateral Agent or the Lenders) or (iii) by notice to Borrower suspend or terminate the obligations, if any, of the Lenders to advance money or extend credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders (but if an Event of Default described in Section 8.5 occurs all obligations, if any, of the Lenders to advance money or extend credit for Borrower's benefit under this Agreement or under any other agreement between Borrower and Collateral Agent and/or the Lenders shall be immediately terminated without any action by Collateral Agent or the Lenders).

(b) Without limiting the rights of Collateral Agent and the Lenders set forth in Section 9.1(a) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right and at the written direction of Required Lenders shall, without notice or demand, to do any or all of the following:

(i) foreclose upon and/or sell or otherwise liquidate, the Collateral;

(ii) make a demand for payment upon any Guarantor pursuant to the Guaranty delivered by such Guarantor;

(iii) apply to the Obligations then due any (A) balances and deposits of Borrower that Collateral Agent or any Lender holds or controls, (B) any amount held or controlled by Collateral Agent or any Lender owing to or for the credit or the account of Borrower, or (C) amounts received from any Guarantors in accordance with the respective Guaranty delivered by such Guarantor; and/or (iv) commence and prosecute an Insolvency Proceeding or consent to Borrower commencing any Insolvency Proceeding.

(c) Without limiting the rights of Collateral Agent and the Lenders set forth in Sections 9.1(a) and (b) above, upon the occurrence and during the continuance of an Event of Default, Collateral Agent shall have the right, without notice or demand, to do any or all of the following:

(i) settle or adjust disputes and claims directly with Account Debtors for amounts on terms and in any order that Collateral Agent considers advisable, notify any Person owing Borrower money of Collateral Agent's security interest in such funds, and verify the amount of such account;

(ii) make any payments and do any acts it considers necessary or reasonable to protect the Collateral and/or its Liens in the Collateral (held for the ratable benefit of the Secured Parties). Borrower shall assemble the Collateral if Collateral Agent requests and make it available at such location as Collateral Agent reasonably designates. Collateral Agent may enter premises where the Collateral is located, take and maintain possession of any part of the Collateral, and pay, purchase, contest, or compromise any Lien which appears to be prior or superior to its security interest and pay all expenses incurred. Borrower grants Collateral Agent a license to enter and occupy any of its premises, without charge by Borrower, to exercise any of Collateral Agent's rights or remedies;

(iii) ship, reclaim, recover, store, finish, maintain, repair, prepare for sale, and/or advertise for sale, any of the Collateral. Collateral Agent is hereby granted a non-exclusive, royalty-free license or other right to use, without charge, Borrower's and each of its Subsidiaries' labels, patents, copyrights, mask works, rights of use of any name, trade secrets, trade names, trademarks, service marks, and advertising matter, or any

similar property as it pertains to the Collateral, in completing production of, advertising for sale, and selling any Collateral and, in connection with Collateral Agent's exercise of its rights under this Section 9.1, Borrower's and each of its Subsidiaries' rights under all licenses and all franchise agreements inure to Collateral Agent, for the benefit of the Lenders;

(iv) place a "hold" on any Collateral Account maintained with Collateral Agent or any Lender or otherwise in respect of which a Control Agreement has been delivered in favor of Collateral Agent (for the ratable benefit of the Secured Parties) and/or deliver a notice of exclusive control, any entitlement order, or other directions or instructions pursuant to any Control Agreement or similar agreements providing control of any Collateral;

(v) demand and receive possession of Borrower's Books;

(vi) appoint a receiver to seize, manage and realize any of the Collateral, and such receiver shall have any right and authority as any competent court will grant or authorize in accordance with any applicable law, including any power or authority to manage the business of Borrower or any of its Subsidiaries; and (vii) subject to clauses 9.1(a) and (b), exercise all rights and remedies available to Collateral Agent and each Lender under the Loan Documents or at law or equity, including all remedies provided under the Code (including disposal of the Collateral pursuant to the terms thereof).

Notwithstanding any provision of this Section 9.1 to the contrary, upon the occurrence of any Event of Default, Collateral Agent shall have the right to exercise any and all remedies referenced in this Section 9.1 without the written consent of Required Lenders following the occurrence of an Exigent Circumstance.

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

**9.3 Protective Payments.** If Borrower or any of its Subsidiaries fail to obtain the insurance called for by Section 6.5 or fails to pay any premium thereon or fails to pay any other amount which Borrower or any of its Subsidiaries is obligated to pay under this Agreement or any other Loan Document, Collateral Agent may obtain such insurance or make such payment, and all amounts so paid by Collateral Agent are Lenders' Expenses and immediately due and payable, bearing interest at the Default Rate, and secured by the Collateral. Collateral Agent will make reasonable efforts to provide Borrower with notice of Collateral Agent obtaining such insurance or making such payment at the time it is obtained or paid or within a reasonable time thereafter. No such payments by Collateral Agent are deemed an agreement to make similar payments in the future or Collateral Agent's waiver of any Event of Default.

**9.4 Application of Payments and Proceeds.** Notwithstanding anything to the contrary contained in this Agreement, upon the occurrence and during the continuance of an Event of Default, (a) Borrower irrevocably waives the right to direct the application of any and all payments at any time or times thereafter received by Collateral Agent from or on behalf of Borrower or any of its Subsidiaries of all or any part of the Obligations, and,

as between Borrower on the one hand and Collateral Agent and Lenders on the other, Collateral Agent shall have the continuing and exclusive right to apply and to reapply any and all payments received against the Obligations in such manner as Collateral Agent may deem advisable notwithstanding any previous application by Collateral Agent, and (b) the proceeds of any sale of, or other realization upon all or any part of the Collateral shall be applied: first, to the Lenders' Expenses (in proportion to such costs and expenses theretofore incurred by each); second, to the Lenders ratably, in an amount up to the sum of all accrued and unpaid interest on the Obligations (including any interest which, but for the provisions of the United States Bankruptcy Code, would have accrued on such amounts); third, to the Lenders ratably, in an amount up to the outstanding principal amount of the Obligations outstanding; and fourth, the Collateral Agent and Lenders ratably (in proportion to all remaining Obligations owing to each), in an amount of up to the sum of all other indebtedness or obligations of Borrower owing to Collateral Agent or any Lender under the Loan Documents. Any balance remaining shall be delivered to Borrower or to whoever may be lawfully entitled to receive such balance or as a court of competent jurisdiction may direct. In carrying out the foregoing, (x) amounts received shall be applied in the numerical order provided until exhausted prior to the application to the next succeeding category, and (y) each of the Persons entitled to receive a payment in any particular category shall receive an amount equal to its pro rata share of amounts available to be applied pursuant thereto for such category. Any reference in this Agreement to an allocation between or sharing by the Lenders of any right, interest or obligation "ratably," "proportionally" or in similar terms shall refer to the Lenders' Pro Rata Shares unless expressly provided otherwise. Collateral Agent, or if applicable, each Lender, shall promptly remit to the other Lenders such sums as may be necessary to ensure the ratable repayment of each Lender's Pro Rata Share of any Term Loan and the ratable distribution of interest, fees and reimbursements paid or made by Borrower. Notwithstanding the foregoing, a Lender receiving a scheduled payment shall not be responsible for determining whether the other Lenders also received their scheduled payment on such date; provided, however, if it is later determined that a Lender received more than its Pro Rata Share of scheduled payments made on any date or dates, then such Lender shall remit to Collateral Agent or other the Lenders such sums as may be necessary to ensure the ratable payment of such scheduled payments, as instructed by Collateral Agent. If any payment or distribution of any kind or character, whether in cash, properties or securities, shall be received by a Lender in excess of its Pro Rata Share, then the portion of such payment or distribution in excess of such Lender's Pro Rata Share shall be received and held by such Lender in trust for and shall be promptly paid over to the other Lenders (in accordance with their respective Pro Rata Shares) for application to the payments of amounts due on such other Lenders' claims. To the extent any payment for the account of Borrower is required to be returned as a voidable transfer or otherwise, the Lenders shall contribute to one another as is necessary to ensure that such return of payment is on a pro rata basis. If any Lender shall obtain possession of any Collateral, it shall hold such Collateral for itself and as agent and bailee for the Secured Parties for purposes of perfecting Collateral Agent's security interest therein (held for the ratable benefit of the Secured Parties).

**9.5 Liability for Collateral.** So long as Collateral Agent and the Lenders comply with reasonable banking practices regarding the safekeeping of the Collateral in the possession or under the control of Collateral Agent and the Lenders, Collateral Agent and the Lenders shall not be liable or responsible for: (a) the safekeeping of the Collateral; (b) any loss or damage to the Collateral; (c) any diminution in the value of the Collateral; or (d) any act or default of any carrier, warehouseman, bailee, or other Person. Borrower bears all risk of loss, damage or destruction of the Collateral.

**9.6 No Waiver; Remedies Cumulative.** Failure by Collateral Agent or any Lender, at any time or times, to require strict performance by Borrower of any provision of this Agreement or by Borrower or any other Loan Document shall not waive, affect, or diminish any right of Collateral Agent or any Lender thereafter to demand strict performance and compliance herewith or therewith. No waiver hereunder shall be effective unless signed by Collateral Agent and the Required Lenders and then is only effective for the specific instance and purpose for which it is given. The rights and remedies of Collateral Agent and the Lenders under this Agreement and the other Loan Documents are cumulative. Collateral Agent and the Lenders have all rights and remedies provided under the Code, any applicable law, by law, or in equity. The exercise by Collateral Agent or any Lender of one right or remedy is not an election, and Collateral Agent's or any Lender's waiver of any Event of Default is not a continuing waiver. Collateral Agent's or any Lender's delay in exercising any remedy is not a waiver, election, or acquiescence.

**9.7 Demand Waiver.** Borrower waives, to the fullest extent permitted by law, demand, notice of default or dishonor, notice of payment and nonpayment, notice of any default, nonpayment at maturity, release, compromise, settlement, extension, or renewal of accounts, documents, instruments, chattel paper, and guarantees held by Collateral Agent or any Lender on which Borrower or any Subsidiary is liable.



## 10. NOTICES

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

If to Borrower:	SCPHARMACEUTICALS INC. 131 Hartwell Avenue, Suite 215 Lexington, MA 02421 Attn: Troy Ignelzi Email: tignelzi@scpharma.com
If to Collateral Agent:	SOLAR CAPITAL LTD. 500 Park Avenue, 3rd Floor New York, NY 10022 Attention: Anthony Storino Fax: (212) 993-1698 Email: storino@Solarltd.com
with a copy (which shall not constitute notice) to:	GOODWIN PROCTER LLP 100 Northern Avenue Boston, MA 02110 Attn: Mark D. Smith Fax: (617) 801-8825 Email: marksmith@goodwinlaw.com
with a copy (which shall not constitute notice) to:	LATHAM & WATKINS LLP 505 Montgomery Street, Suite 2000 San Francisco, CA 94111 Attention: Haim Zaltzman Facsimile: (415) 395-8095 Email: haim.zaltzman@lw.com
with a copy to:	SILICON VALLEY BANK, as lender 275 Grove Street, Suite 2-200 Newton, Massachusetts 02466 Attn: Kate Walsh Fax: (617) 527-0177 Email: KWalsh@svb.com

## 11. CHOICE OF LAW, VENUE AND JURY TRIAL WAIVER

**11.1 Waiver of Jury Trial.** EACH OF BORROWER, COLLATERAL AGENT AND LENDERS UNCONDITIONALLY WAIVES ANY AND ALL RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, ANY OF THE OTHER LOAN DOCUMENTS, ANY OF THE INDEBTEDNESS SECURED HEREBY, ANY DEALINGS AMONG

BORROWER, COLLATERAL AGENT AND/OR LENDERS RELATING TO THE SUBJECT MATTER OF THIS TRANSACTION OR ANY RELATED TRANSACTIONS, AND/OR THE RELATIONSHIP THAT IS BEING ESTABLISHED AMONG BORROWER, COLLATERAL AGENT AND/OR LENDERS. THE SCOPE OF THIS WAIVER IS INTENDED TO BE ALL ENCOMPASSING OF ANY AND ALL DISPUTES THAT MAY BE FILED IN ANY COURT. THIS WAIVER IS IRREVOCABLE. THIS WAIVER MAY NOT BE MODIFIED EITHER ORALLY OR IN WRITING. THE WAIVER ALSO SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENTS, OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING TO THIS TRANSACTION OR ANY RELATED TRANSACTION. THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT.

**11.2 Governing Law and Jurisdiction.** THIS AGREEMENT, THE OTHER LOAN DOCUMENTS (EXCLUDING THOSE LOAN DOCUMENTS THAT BY THEIR OWN TERMS ARE EXPRESSLY GOVERNED BY THE LAWS OF ANOTHER JURISDICTION) AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER AND THEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAW OTHER THAN THE LAW OF SUCH STATE), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE COLLATERAL, PROVIDED, HOWEVER, THAT IF THE LAWS OF ANY JURISDICTION OTHER THAN NEW YORK SHALL GOVERN IN REGARD TO THE VALIDITY, PERFECTION OR EFFECT OF PERFECTION OF ANY LIEN OR IN REGARD TO PROCEDURAL MATTERS AFFECTING ENFORCEMENT OF ANY LIENS IN COLLATERAL, SUCH LAWS OF SUCH OTHER JURISDICTIONS SHALL CONTINUE TO APPLY TO THAT EXTENT.

**11.3 Submission to Jurisdiction.** Any legal action or proceeding with respect to the Loan Documents shall be brought exclusively in the courts of the State of New York located in the City of New York, Borough of Manhattan, or of the United States of America for the Southern District of New York and, by execution and delivery of this Agreement, Borrower hereby accepts for itself and in respect of its Property, generally and unconditionally, the jurisdiction of the aforesaid courts. Notwithstanding the foregoing, Collateral Agent and Lenders shall have the right to bring any action or proceeding against Borrower (or any property of Borrower) in the court of any other jurisdiction Collateral Agent or Lenders deem necessary or appropriate in order to realize on the Collateral or other security for the Obligations. The parties hereto hereby irrevocably waive any objection, including any objection to the laying of venue or based on the grounds of *forum non conveniens*, that any of them may now or hereafter have to the bringing of any such action or proceeding in such jurisdictions.

**11.4 Service of Process.** Borrower irrevocably waives personal service of any and all legal process, summons, notices and other documents and other service of process of any kind and consents to such service in any suit, action or proceeding brought in the United States of America with respect to or otherwise arising out of or in connection with any Loan Document by any means permitted by applicable requirements of law, including by the mailing thereof (by registered or certified mail, postage prepaid) to the address of Borrower specified herein (and shall be effective when such mailing shall be effective, as provided therein). Borrower agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

**11.5 Non-exclusive Jurisdiction.** Nothing contained in this Article 11 shall affect the right of Collateral Agent or Lenders to serve process in any other manner permitted by applicable requirements of law or commence legal proceedings or otherwise proceed against Borrower in any other jurisdiction.

## **12. GENERAL PROVISIONS**

**12.1 Successors and Assigns.** This Agreement binds and is for the benefit of the successors and permitted assigns of each party. Borrower may not transfer, pledge or assign this Agreement or any rights or obligations under it without Collateral Agent's prior written consent (which may be granted or withheld in Collateral Agent's discretion, subject to Section 12.5). The Lenders have the right, without the consent of or notice to Borrower, to sell, transfer, assign, pledge, negotiate, or grant participation in (any such sale, transfer, assignment, negotiation, or grant of a participation, a "**Lender Transfer**") all or any part of, or any interest in, the Lenders'

obligations, rights, and benefits under this Agreement and the other Loan Documents. Borrower and Collateral Agent shall be entitled to continue to deal solely and directly with such Lender in connection with the interests so assigned until Collateral Agent shall have received and accepted an effective assignment agreement in form satisfactory to Collateral Agent executed, delivered and fully completed by the applicable parties thereto, and shall have received such other information regarding such assignee as Collateral Agent reasonably shall require.

**12.2 Indemnification.** Borrower agrees to indemnify, defend and hold each Secured Party and their respective directors, officers, employees, consultants, agents, attorneys, or any other Person affiliated with or representing such Secured Party (each, an “**Indemnified Person**”) harmless against: (a) all obligations, demands, claims, and liabilities (collectively, “**Claims**”) asserted by any other party in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents; and (b) all losses and Lenders’ Expenses incurred, or paid by Indemnified Person in connection with; related to; following; or arising from, out of or under, the transactions contemplated by the Loan Documents (including reasonable attorneys’ fees and expenses), except, in each case, for Claims and/or losses directly caused by such Indemnified Person’s gross negligence or willful misconduct. Borrower hereby further agrees to indemnify, defend and hold each Indemnified Person harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including the fees and disbursements of counsel for such Indemnified Person) in connection with any investigative, response, remedial, administrative or judicial matter or proceeding, whether or not such Indemnified Person shall be designated a party thereto and including any such proceeding initiated by or on behalf of Borrower, and the reasonable expenses of investigation by engineers, environmental consultants and similar technical personnel and any commission, fee or compensation claimed by any broker (other than any broker retained by Collateral Agent or Lenders) asserting any right to payment for the transactions contemplated hereby which may be imposed on, incurred by or asserted against such Indemnified Person as a result of or in connection with the transactions contemplated hereby and the use or intended use of the proceeds of the loan proceeds except for liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements directly caused by such Indemnified Person’s gross negligence or willful misconduct.

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

**12.4 Correction of Loan Documents.** Collateral Agent may correct patent errors and fill in any blanks in this Agreement and the other Loan Documents consistent with the agreement of the parties.

**12.5 Amendments in Writing; Integration.** (a) No amendment, modification, termination or waiver of any provision of this Agreement or any other Loan Document, no approval or consent thereunder, or any consent to any departure by Borrower or any of its Subsidiaries therefrom, shall in any event be effective unless the same shall be in writing and signed by Borrower, Collateral Agent and the Required Lenders provided that:

(i) no such amendment, waiver or other modification that would have the effect of increasing or reducing a Lender’s Term Loan Commitment or Commitment Percentage shall be effective as to such Lender without such Lender’s written consent;

(ii) no such amendment, waiver or modification that would affect the rights and duties of Collateral Agent shall be effective without Collateral Agent’s written consent or signature; and

(iii) no such amendment, waiver or other modification shall, unless signed by all the Lenders directly affected thereby, (A) reduce the principal of, rate of interest on or any fees with respect to any Term Loan or forgive any principal, interest (other than default interest) or fees (other than late charges) with respect to any Term Loan (B) postpone the date fixed for, or waive, any payment of principal of any Term Loan or of interest on any Term Loan (other than default interest) or any fees provided for hereunder (other than late charges or for any termination of any commitment); (C) change the definition of the term “Required Lenders” or the percentage of Lenders which shall be required for the Lenders to take any action hereunder; (D) release all or substantially all of any material portion of the Collateral, authorize Borrower to sell or otherwise dispose of all or substantially all or any material portion of the Collateral or release any Guarantor of all or any portion of the Obligations or its Guaranty obligations with respect thereto, except, in each case with respect to this clause (D), as otherwise may be expressly permitted under this Agreement or the other Loan Documents (including in connection with any

disposition permitted hereunder); (E) amend, waive or otherwise modify this Section 12.5 or the definitions of the terms used in this Section 12.5 insofar as the definitions affect the substance of this Section 12.5; (F) consent to the assignment, delegation or other transfer by Borrower of any of its rights and obligations under any Loan Document or release Borrower of its payment obligations under any Loan Document, except, in each case with respect to this clause (F), pursuant to a merger or consolidation permitted pursuant to this Agreement; (G) amend any of the provisions of Section 9.4 or amend any of the definitions of Pro Rata Share, Term Loan Commitment, Commitment Percentage or that provide for the Lenders to receive their Pro Rata Shares of any fees, payments, setoffs or proceeds of Collateral hereunder; (H) subordinate the Liens granted in favor of Collateral Agent securing the Obligations; or (I) amend any of the provisions of Section 12.9. It is hereby understood and agreed that all Lenders shall be deemed directly affected by an amendment, waiver or other modification of the type described in the preceding clauses (C), (D), (E), (F), (G) and (H) of the immediately preceding sentence.

(b) Other than as expressly provided for in Section 12.5(a)(i)-(iii), Collateral Agent may, at its discretion, or if requested by the Required Lenders, from time to time designate covenants in this Agreement less restrictive by notification to a representative of Borrower.

(c) This Agreement and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements with respect to such subject matter. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Agreement and the Loan Documents merge into this Agreement and the Loan Documents.

**12.6 Counterparts.** This Agreement may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Agreement. Delivery of an executed counterpart of a signature page of this Agreement by facsimile, portable document format (.pdf) or other electronic transmission will be as effective as delivery of a manually executed counterpart hereof.

**12.7 Survival.** All covenants, representations and warranties made in this Agreement continue in full force and effect until this Agreement has terminated pursuant to its terms and all Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement) have been satisfied. The obligation of Borrower in Section 12.2 to indemnify each Lender and Collateral Agent, as well as the withholding provision in Section 2.5 hereof and the confidentiality provisions in Section 12.8 below, shall survive until the statute of limitations with respect to such claim or cause of action shall have run.

**12.8 Confidentiality.** In handling any confidential information of Borrower, each of the Lenders and Collateral Agent shall exercise the same degree of care that it exercises for their own proprietary information, but disclosure of information may be made: (a) subject to the terms and conditions of this Agreement, to the Lenders' and Collateral Agent's Subsidiaries or Affiliates, or in connection with a Lender's own financing or securitization transactions; (b) to prospective transferees (other than those identified in (a) above) or purchasers of any interest in the Term Loans (provided, however, the Lenders and Collateral Agent shall, except upon the occurrence and during the continuance of an Event of Default, obtain such prospective transferee's or purchaser's agreement to the terms of this provision or to similar confidentiality terms); (c) as required by law, rule, regulation, regulatory or self-regulatory authority, subpoena, or other order; (d) to Lenders' or Collateral Agent's regulators or as otherwise required in connection with an examination or audit; (e) as Collateral Agent reasonably considers appropriate in exercising remedies under the Loan Documents; and (f) to third party service providers of the Lenders and/or Collateral Agent so long as such service providers have executed a confidentiality agreement or have agreed to similar confidentiality terms with the Lenders and/or Collateral Agent, as applicable, with terms no less restrictive than those contained herein. Confidential information does not include information that either: (i) is in the public domain or in the Lenders' and/or Collateral Agent's possession when disclosed to the Lenders and/or Collateral Agent, or becomes part of the public domain after disclosure to the Lenders and/or Collateral Agent through no breach of this provision by the Lenders or the Collateral Agent; or (ii) is disclosed to the Lenders and/or Collateral Agent by a third party, if the Lenders and/or Collateral Agent does not know that the third party is prohibited from disclosing the information. Collateral Agent and the Lenders may use confidential information for any purpose, including, without limitation, for the development of client databases, reporting purposes, and market analysis. The provisions of the immediately preceding sentence shall survive the termination of this Agreement. The agreements provided under this Section 12.9 supersede all prior agreements, understanding, representations, warranties, and negotiations between the parties about the subject matter of this Section 12.8.

**12.9 Right of Set Off.** Borrower hereby grants to Collateral Agent and to each Lender, a Lien, security interest and right of set off as security for all Obligations to Secured Parties hereunder, whether now existing or hereafter arising upon and against all deposits, credits, collateral and property, now or hereafter in the possession, custody, safekeeping or control of any Secured Party or any entity under the control of such Security Party (including a Collateral Agent Affiliate) or in transit to any of them. At any time after the occurrence and during the continuance of an Event of Default, without demand or notice, any Secured Party may set off the same or any part thereof and apply the same to any liability or obligation of Borrower even though unmatured and regardless of the adequacy of any other collateral securing the Obligations. ANY AND ALL RIGHTS TO REQUIRE COLLATERAL AGENT TO EXERCISE ITS RIGHTS OR REMEDIES WITH RESPECT TO ANY OTHER COLLATERAL WHICH SECURES THE OBLIGATIONS, PRIOR TO EXERCISING ITS RIGHT OF SETOFF WITH RESPECT TO SUCH DEPOSITS, CREDITS OR OTHER PROPERTY OF BORROWER ARE HEREBY KNOWINGLY, VOLUNTARILY AND IRREVOCABLY WAIVED BY BORROWER.

**12.10 Cooperation of Borrower.** If necessary, Borrower agrees to (i) execute any documents reasonably required to effectuate and acknowledge each assignment of a Term Loan Commitment (or portion thereof) or Term Loan (or portion thereof) to an assignee in accordance with Section 12.1, (ii) make Borrower's management personnel available to meet with Collateral Agent and prospective participants and assignees of Term Loan Commitments, the Term Loans or portions thereof (which meetings shall be conducted no more often than twice every twelve months unless an Event of Default has occurred and is continuing), and (iii) assist Collateral Agent and the Lenders in the preparation of information relating to the financial affairs of Borrower as any prospective participant or assignee of a Term Loan Commitment (or portions thereof) or Term Loan (or portions thereof) reasonably may request. Subject to the provisions of Section 12.8, Borrower authorizes each Lender to disclose to any prospective participant or assignee of a Term Loan Commitment (or portions thereof), any and all information in such Lender's possession concerning Borrower and its financial affairs which has been delivered to such Lender by or on behalf of Borrower pursuant to this Agreement, or which has been delivered to such Lender by or on behalf of Borrower in connection with such Lender's credit evaluation of Borrower prior to entering into this Agreement.

**12.11 Public Announcement.** Borrower hereby agrees that Collateral Agent and each Lender may make a public announcement of the transactions contemplated by this Agreement, and may publicize the same in marketing materials, newspapers and other publications, and otherwise, and in connection therewith may use Borrower's name, tradenames and logos. Collateral Agent and the Lenders may also make disclosures to the Securities and Exchange Commission or other governmental agency and any other public disclosure with investors, other governmental agencies or other related persons.

**12.12 Collateral Agent and Lender Agreement.** Collateral Agent and the Lenders hereby agree to the terms and conditions set forth on Exhibit B attached hereto. Borrower acknowledges and agrees to the terms and conditions set forth on Exhibit B attached hereto.

**12.13 Time of Essence.** Time is of the essence for the performance of Obligations under this Agreement.

**12.14 Termination Prior to Maturity Date; Survival.** All covenants, representations and warranties made in this Agreement continue in full force until this Agreement has terminated pursuant to its terms and all Obligations have been satisfied. So long as Borrower has satisfied the Obligations (other than inchoate indemnity obligations and any other obligations which, by their terms, are to survive the termination of this Agreement and for which no claim has been made) in accordance with the terms of this Agreement, this Agreement may be terminated prior to the Maturity Date by Borrower, effective five (5) Business Days after written notice of termination is given to the Collateral Agent and the Lenders.

**[Balance of Page Intentionally Left Blank]**

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

**BORROWER:**

SCPHARMACEUTICALS INC.

By /s/ John Tucker  
Name: John Tucker  
Title: President and Chief Executive Officer

*[Signature Page to Loan and Security Agreement (scPharma/Solar)]*

**COLLATERAL AGENT AND LENDER:**

SOLAR CAPITAL LTD.

By /s/ Anthony J. Storino  
Name: Anthony J. Storino  
Title: Authorized Signatory

*[Signature Page to Loan and Security Agreement (scPharma/Solar)]*

**LENDER:**

SILICON VALLEY BANK

By  /s/ Kate Walsh  
Name:  Kate Walsh  
Title:  Director

*[Signature Page to Loan and Security Agreement (scPharma/Solar)]*



**SCHEDULE 1.1**

**Lenders and Commitments**

<u>Lender</u>	<u>Term Loan Commitment</u>	<u>Commitment Percentage</u>
Solar Capital Ltd.	5,000,000	50.00%
Silicon Valley Bank	5,000,000	50.00%
<b>TOTAL</b>	<b>\$10,000,000</b>	<b>100.00%</b>

**EXHIBIT A**

**Description of Collateral**

The Collateral consists of all of Borrower's right, title and interest in and to the following property:

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

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

Notwithstanding the foregoing, the Collateral does not include any Intellectual Property; provided, however, the Collateral shall include all Accounts and all proceeds of Intellectual Property. If a judicial authority (including a U.S. Bankruptcy Court) would hold that a security interest in the underlying Intellectual Property is necessary to have a security interest in such Accounts and such property that are proceeds of Intellectual Property, then the Collateral shall automatically, and effective as of the Effective Date, include the Intellectual Property to the extent necessary to permit perfection of Collateral Agent's security interest in such Accounts and such other property of Borrower that are proceeds of the Intellectual Property.

**EXHIBIT B**

**Collateral Agent and Lender Terms**

**1. Appointment of Collateral Agent.**

(a) Each Lender hereby appoints Solar (together with any successor Collateral Agent pursuant to Section 1.7 of this Exhibit B) as Collateral Agent under the Loan Documents and authorizes Collateral Agent to (i) execute and deliver the Loan Documents and accept delivery thereof on its behalf from Borrower, (ii) take such action on its behalf and to exercise all rights, powers and remedies and perform the duties as are expressly delegated to Collateral Agent under such Loan Documents and (iii) exercise such powers as are reasonably incidental thereto.

(b) Without limiting the generality of clause (a) above, Collateral Agent shall have the sole and exclusive right and authority (to the exclusion of the Lenders), and is hereby authorized, to (i) act as the disbursing and collecting agent for the Lenders with respect to all payments and collections arising in connection with the Loan Documents (including in any other bankruptcy, insolvency or similar proceeding), and each Person making any payment in connection with any Loan Document to any Lender is hereby authorized to make such payment to Collateral Agent except to the extent the Loan Documents specifically require a payment to be made directly to a Lender, (ii) file and prove claims and file other documents necessary or desirable to allow the claims of Collateral Agent and Lenders with respect to any Obligation in any bankruptcy, insolvency or similar proceeding (but not to vote, consent or otherwise act on behalf of such Lender), (iii) act as collateral agent for Collateral Agent and each Lender for purposes of the perfection of all Liens created by the Loan Documents and all other purposes stated therein, (iv) manage, supervise and otherwise deal with the Collateral, (v) take such other action as is necessary or desirable to maintain the perfection and priority of the Liens created or purported to be created by the Loan Documents, (vi) except as may be otherwise specified in any Loan Document, and subject to clause (d) below, exercise all remedies given to Collateral Agent and the other Lenders with respect to the Borrower and/or the Collateral, whether under the Loan Documents, applicable Requirements of Law or otherwise and (vii) execute any amendment, consent or waiver under the Loan Documents on behalf of any Lender that has consented in writing to such amendment, consent or waiver all of the foregoing actions to be taken in Collateral Agent's reasonable business discretion; provided, however, that Collateral Agent hereby appoints, authorizes and directs each Lender to act as collateral sub-agent for Collateral Agent and the Lenders for purposes of the perfection of all Liens with respect to the Collateral, including any Deposit Account maintained by Borrower with, and cash and Cash Equivalents held by, such Lender, and may further authorize and direct the Lenders to take further actions as collateral sub-agents for purposes of enforcing such Liens or otherwise to transfer the Collateral subject thereto to Collateral Agent, and each Lender hereby agrees to take such further actions to the extent, and only to the extent, so authorized and directed. Collateral Agent may, upon any term or condition it specifies, delegate or exercise any of its rights, powers and remedies under, and delegate or perform any of its duties or any other action with respect to, any Loan Document by or through any trustee, co-agent, employee, attorney-in-fact and any other Person (including any Lender).

(c) Under the Loan Documents, Collateral Agent (i) is acting solely on behalf of the Lenders, with duties that are entirely administrative in nature, notwithstanding the use of the defined term "Collateral Agent", the terms "agent", "Collateral Agent" and "collateral agent" and similar terms in any Loan Document to refer to Collateral Agent, which terms are used for title purposes only, (ii) is not assuming any obligation under any Loan Document other than as expressly set forth therein or any role as agent, fiduciary or trustee of or for any Lender or any other Person and (iii) shall have no implied functions, responsibilities, duties, obligations or other liabilities under any Loan Document, and each Lender, by accepting the benefits of the Loan Documents, hereby waives and agrees not to assert any claim against Collateral Agent based on the roles, duties and legal relationships expressly disclaimed in clauses (i) through (iii) above. Except as expressly set forth in the Loan Documents, Collateral Agent shall not have any duty to disclose, and shall not be liable for failure to disclose, any information relating to Borrower or any of its Subsidiaries that is communicated to or obtained by Solar or any of its Affiliates in any capacity.

(d) Upon the occurrence of an Event of Default, Collateral Agent, at the request of Lenders, shall take such actions and only such actions as Lenders mutually agree to take to enforce Collateral Agent's and their rights and remedies under the Loan Agreement, provided, that, notwithstanding anything to the contrary

contained in the foregoing or anything else in this Agreement, unless Collateral Agent shall have received an objection or contrary instructions from the other Lender, Collateral Agent may take such actions (not to include acceleration of the Loan Agreement, the institution of foreclosure proceedings or secured creditors' sales or the giving of notice to any account debtors) as Collateral Agent shall deem reasonably necessary to preserve and protect the rights of Collateral Agent and Lenders under the Loan Agreement and the other Loan Documents and with respect to the Collateral, including without limitation satisfaction of other security interests, liens or encumbrances on the Collateral not permitted under the Loan Documents, payment of taxes on behalf of Borrower, payments to landlords, warehouseman, bailees and other persons in possession of the Collateral and other actions to protect and safeguard the Collateral, and actions with respect to insurance claims for casualty events affecting Borrower and/or the Collateral. If, after consultation, Lenders cannot mutually agree on what action to take or direct Collateral Agent to take, then the other Lender shall have the right upon prior written notice to the other to cause the acceleration of the Loan Agreement on behalf of both Lenders. Upon such acceleration, the Lenders shall mutually agree as to what Enforcement Action to take; provided, however, that if after consultation, Lenders cannot mutually agree on what action to take, then the Lender wishing to take the stronger Enforcement Action (the "Enforcing Lender") shall have the right to determine and shall control the timing, order and type of Enforcement Actions which will be taken and all other matters in connection with any such Enforcement Actions. To facilitate these rights to control Enforcement Actions, upon either Lender becoming the Enforcing Lender, if the Enforcing Lender is not already the Collateral Agent, then automatically and without the necessity of any further action being taken by any party, (x) the original Collateral Agent shall be deemed to have resigned as Collateral Agent and (y) the Lenders shall be deemed to have unanimously appointed the Enforcing Lender as successor Collateral Agent under this Agreement and the Loan Documents (and the Enforcing Lender shall be deemed to have accepted such appointment) in accordance with Section 7 of this Agreement, provided, that, once the Enforcing Lender shall have been appointed as the Collateral Agent under the provisions of this sentence, the Enforcing Lender as such successor Collateral Agent shall no longer be bound by the restrictions of the first sentence of this paragraph, but instead shall have the right to determine and control all Enforcement Actions as provided for in the immediately preceding sentence (subject to the provisions of the following sentence). In taking such Enforcement Actions pursuant to the previous sentence, the Enforcing Lender as such successor Collateral Agent shall act reasonably and in good faith and shall consult with and keep the other Lender informed thereof at reasonable intervals; provided, however, that notwithstanding any such consultations and provision of information to the other Lender, the Enforcing Lender as such successor Collateral Agent shall retain the right to make all determinations in the event of disagreements between the Enforcing Lender and the other Lender. In all cases with respect to Enforcement Actions, the Enforcing Lender shall have the right to act both on its own behalf and as agent for the other Lender with respect thereto. In addition, the other Lender shall take such actions and execute such documents and instruments as the Enforcing Lender may reasonably request in connection with and to facilitate any such Enforcement Actions. As used herein, "Enforcement Action" means, with respect to any Lender and with respect to any Claim of such Lender or any item of Collateral in which such Lender has or claims a security interest, lien or right of offset, any action, whether judicial or nonjudicial, to repossess, collect, accelerate, offset, recoup, give notification to third parties with respect to, sell, dispose of, foreclose upon, give notice of sale, disposition, or foreclosure with respect to, or obtain equitable or injunctive relief with respect to, such Claim or Collateral. The filing by any Lender of, or the joining in the filing by any Lender of, an involuntary bankruptcy or insolvency proceeding against Borrower also is an Enforcement Action. Notwithstanding anything herein to the contrary, this clause (d) only applies and only grants rights to Bank and Solar.

## **2. Binding Effect; Use of Discretion; E-Systems.**

(a) Each Lender, by accepting the benefits of the Loan Documents, agrees that (i) any action taken by Collateral Agent or Required Lenders (or, if expressly required in any Loan Document, a greater proportion of the Lenders) in accordance with the provisions of the Loan Documents, (ii) any action taken by Collateral Agent in reliance upon the instructions of Required Lenders (or, where so required, such greater proportion) and (iii) the exercise by Collateral Agent or Required Lenders (or, where so required, such greater proportion) of the powers set forth herein or therein, together with such other powers as are reasonably incidental thereto, shall be authorized and binding upon all of Lenders.

(b) If Collateral Agent shall request instructions from Required Lenders or all affected Lenders with respect to any act or action (including failure to act) in connection with any Loan Document, then Collateral Agent shall be entitled to refrain from such act or taking such action unless and until Collateral Agent shall have received instructions from Required Lenders or all affected Lenders, as the case may be, and Collateral

Agent shall not incur liability to any Person by reason of so refraining. Collateral Agent shall be fully justified in failing or refusing to take any action under any Loan Document (i) if such action would, in the opinion of Collateral Agent, be contrary to any Requirement of Law or any Loan Document, (ii) if such action would, in the opinion of Collateral Agent, expose Collateral Agent to any potential liability under any Requirement of Law or (iii) if Collateral Agent shall not first be indemnified to its satisfaction against any and all liability and expense which may be incurred by it by reason of taking or continuing to take any such action. Without limiting the foregoing, no Lender shall have any right of action whatsoever against Collateral Agent as a result of Collateral Agent acting or refraining from acting under any Loan Document in accordance with the instructions of Required Lenders or all affected Lenders, as applicable.

(c) Collateral Agent is hereby authorized by Borrower and each Lender to establish procedures (and to amend such procedures from time to time) to facilitate administration and servicing of the Term Loans and other matters incidental thereto. Without limiting the generality of the foregoing, Collateral Agent is hereby authorized to establish procedures to make available or deliver, or to accept, notices, documents (including, without limitation, borrowing base certificates) and similar items on, by posting to or submitting and/or completion, on E-Systems. Borrower and each Lender acknowledges and agrees that the use of transmissions via an E-System or electronic mail is not necessarily secure and that there are risks associated with such use, including risks of interception, disclosure and abuse, and Borrower and each Lender assumes and accepts such risks by hereby authorizing the transmission via E-Systems or electronic mail. Each "e-signature" on any such posting shall be deemed sufficient to satisfy any requirement for a "signature", and each such posting shall be deemed sufficient to satisfy any requirement for a "writing", in each case including pursuant to any Loan Document, any applicable provision of any Code, the federal Uniform Electronic Transactions Act, the Electronic Signatures in Global and National Commerce Act and any substantive or procedural Requirement of Law governing such subject matter. All uses of an E-System shall be governed by and subject to, in addition to this Section, the separate terms, conditions and privacy policy posted or referenced in such E-System (or such terms, conditions and privacy policy as may be updated from time to time, including on such E-System) and related contractual obligations executed by Collateral Agent, Borrower and/or Lenders in connection with the use of such E-System. ALL E-SYSTEMS AND ELECTRONIC TRANSMISSIONS SHALL BE PROVIDED "AS IS" AND "AS AVAILABLE". NO REPRESENTATION OR WARRANTY OF ANY KIND IS MADE BY AGENT, ANY LENDER OR ANY OF THEIR RELATED PERSONS IN CONNECTION WITH ANY E-SYSTEMS.

**3. Collateral Agent's Reliance, Etc.** Collateral Agent may, without incurring any liability hereunder, (a) consult with any of its Related Persons and, whether or not selected by it, any other advisors, accountants and other experts (including advisors to, and accountants and experts engaged by, Borrower) and (b) rely and act upon any document and information (including those transmitted by electronic transmission) and any telephone message or conversation, in each case believed by it to be genuine and transmitted, signed or otherwise authenticated by the appropriate parties. None of Collateral Agent and its Related Persons shall be liable for any action taken or omitted to be taken by any of them in connection with the duties of Collateral Agent under or in connection with any Loan Document, and each Lender and Borrower hereby waives and shall not assert (and Borrower shall cause its Subsidiaries to waive and agree not to assert) any right, claim or cause of action based thereon, except to the extent of liabilities resulting from the gross negligence or willful misconduct of Collateral Agent or, as the case may be, such Related Person (each as determined in a final, non-appealable judgment of a court of competent jurisdiction) in connection with the duties of Collateral Agent expressly set forth herein. Without limiting the foregoing, Collateral Agent: (i) shall not be responsible or otherwise incur liability for any action or omission taken in reliance upon the instructions of the Required Lenders or for the actions or omissions of any of its Related Persons, except to the extent that a court of competent jurisdiction determines in a final non-appealable judgment that Collateral Agent acted with gross negligence or willful misconduct in the selection of such Related Person; (ii) shall not be responsible to any Lender or other Person for the due execution, legality, validity, enforceability, effectiveness, genuineness, sufficiency or value of, or the attachment, perfection or priority of any Lien created or purported to be created under or in connection with, any Loan Document; (iii) makes no warranty or representation, and shall not be responsible, to any Lender or other Person for any statement, document, information, representation or warranty made or furnished by or on behalf of Borrower or any Related Person of Borrower in connection with any Loan Document or any transaction contemplated therein or any other document or information with respect to Borrower, whether or not transmitted or (except for documents expressly required under any Loan Document to be transmitted to the Lenders) omitted to be transmitted by Collateral Agent, including as to completeness, accuracy, scope or adequacy thereof, or for the scope, nature or results of any due diligence

performed by Collateral Agent in connection with the Loan Documents; and (iv) shall not have any duty to ascertain or to inquire as to the performance or observance of any provision of any Loan Document, whether any condition set forth in any Loan Document is satisfied or waived, as to the financial condition of Borrower or as to the existence or continuation or possible occurrence or continuation of any Event of Default, and shall not be deemed to have notice or Knowledge of such occurrence or continuation unless it has received a notice from Borrower or any Lender describing such Event of Default that is clearly labeled “notice of default” (in which case Collateral Agent shall promptly give notice of such receipt to all Lenders, provided that Collateral Agent shall not be liable to any Lender for any failure to do so, except to the extent that such failure is attributable to Collateral Agent’s gross negligence or willful misconduct as determined by a final non-appealable judgment of a court of competent jurisdiction); and, for each of the items set forth in clauses (i) through (iv) above, each Lender and Borrower hereby waives and agrees not to assert (and Borrower shall cause its Subsidiaries to waive and agree not to assert) any right, claim or cause of action it might have against Collateral Agent based thereon.

**4. Collateral Agent Individually.** Collateral Agent and its Affiliates may make loans and other extensions of credit to, acquire stock and stock equivalents of, engage in any kind of business with, Borrower or any Affiliate of Borrower as though it were not acting as Collateral Agent and may receive separate fees and other payments therefor. To the extent Collateral Agent or any of its Affiliates makes any Term Loans or otherwise becomes a Lender hereunder, it shall have and may exercise the same rights and powers hereunder and shall be subject to the same obligations and liabilities as any other Lender and the terms “Lender”, “Required Lender” and any similar terms shall, except where otherwise expressly provided in any Loan Document, include, without limitation, Collateral Agent or such Affiliate, as the case may be, in its individual capacity as Lender, or as one of the Required Lenders.

**5. Lender Credit Decision; Collateral Agent Report.** Each Lender acknowledges that it shall, independently and without reliance upon Collateral Agent, any Lender or any of their Related Persons or upon any document solely or in part because such document was transmitted by Collateral Agent or any of its Related Persons, conduct its own independent investigation of the financial condition and affairs of Borrower and make and continue to make its own credit decisions in connection with entering into, and taking or not taking any action under, any Loan Document or with respect to any transaction contemplated in any Loan Document, in each case based on such documents and information as it shall deem appropriate. Except for documents expressly required by any Loan Document to be transmitted by Collateral Agent to the Lenders, Collateral Agent shall not have any duty or responsibility to provide any Lender with any credit or other information concerning the business, prospects, operations, Property, financial and other condition or creditworthiness of Borrower or any Affiliate of Borrower that may come in to the possession of Collateral Agent or any of its Related Persons. Each Lender agrees that it shall not rely on any field examination, audit or other report provided by Collateral Agent or its Related Persons (a “**Collateral Agent Report**”). Each Lender further acknowledges that any Collateral Agent Report (a) is provided to the Lenders solely as a courtesy, without consideration, and based upon the understanding that such Lender will not rely on such Collateral Agent Report, (b) was prepared by Collateral Agent or its Related Persons based upon information provided by Borrower solely for Collateral Agent’s own internal use, and (c) may not be complete and may not reflect all information and findings obtained by Collateral Agent or its Related Persons regarding the operations and condition of Borrower. Neither Collateral Agent nor any of its Related Persons makes any representations or warranties of any kind with respect to (i) any existing or proposed financing, (ii) the accuracy or completeness of the information contained in any Collateral Agent Report or in any related documentation, (iii) the scope or adequacy of Collateral Agent’s and its Related Persons’ due diligence, or the presence or absence of any errors or omissions contained in any Collateral Agent Report or in any related documentation, and (iv) any work performed by Collateral Agent or Collateral Agent’s Related Persons in connection with or using any Collateral Agent Report or any related documentation. Neither Collateral Agent nor any of its Related Persons shall have any duties or obligations in connection with or as a result of any Lender receiving a copy of any Collateral Agent Report. Without limiting the generality of the forgoing, neither Collateral Agent nor any of its Related Persons shall have any responsibility for the accuracy or completeness of any Collateral Agent Report, or the appropriateness of any Collateral Agent Report for any Lender’s purposes, and shall have no duty or responsibility to correct or update any Collateral Agent Report or disclose to any Lender any other information not embodied in any Collateral Agent Report, including any supplemental information obtained after the date of any Collateral Agent Report. Each Lender releases, and agrees that it will not assert, any claim against Collateral Agent or its Related Persons that in any way relates to any Collateral Agent Report or arises out of any Lender having access to any Collateral Agent Report or any discussion of its contents, and agrees to indemnify and hold harmless Collateral Agent and its Related Persons from all claims, liabilities and expenses relating to a breach by any Lender arising out of such Lender’s access to any Collateral Agent Report or any discussion of its contents.

**6. Indemnification.** Each Lender agrees to reimburse Collateral Agent and each of its Related Persons (to the extent not reimbursed by Borrower as required under the Loan Documents) promptly upon demand for its Pro Rata Share of any reasonable out-of-pocket costs and expenses (including, without limitation, reasonable fees, charges and disbursements of financial, legal and other advisors and any taxes or insurance paid in the name of, or on behalf of, Borrower) incurred by Collateral Agent or any of its Related Persons in connection with the preparation, syndication, execution, delivery, administration, modification, amendment, consent, waiver or enforcement of, or the taking of any other action (whether through negotiations, through any work-out, bankruptcy, restructuring or other legal or other proceeding (including, without limitation, preparation for and/or response to any subpoena or request for document production relating thereto) or otherwise) in respect of, or legal advice with respect to, its rights or responsibilities under, any Loan Document. Each Lender further agrees to indemnify Collateral Agent and each of its Related Persons (to the extent not reimbursed by Borrower as required under the Loan Documents), ratably according to its Pro Rata Share, from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, costs, expenses or disbursements of any kind or nature whatsoever (including, to the extent not indemnified by the applicable Lender, taxes, interests and penalties imposed for not properly withholding or backup withholding on payments made to or for the account of any Lender) that may be imposed on, incurred by, or asserted against Collateral Agent or any of its Related Persons in any matter relating to or arising out of, in connection with or as a result of any Loan Document or any other act, event or transaction related, contemplated in or attendant to any such document, or, in each case, any action taken or omitted to be taken by Collateral Agent or any of its Related Persons under or with respect to the foregoing; provided that no Lender shall be liable to Collateral Agent or any of its Related Persons under this Section 6 of this Exhibit B to the extent such liability has resulted from the gross negligence or willful misconduct of Collateral Agent or, as the case may be, such Related Person, as determined by a final non-appealable judgment of a court of competent jurisdiction. To the extent required by any applicable Requirement of Law, Collateral Agent and Lenders may withhold from any payment to any Lender under a Loan Document an amount equal to any applicable withholding tax. If the Internal Revenue Service or any other Governmental Authority asserts a claim that Collateral Agent did not properly withhold tax from amounts paid to or for the account of any Lender for any reason, or if Collateral Agent reasonably determines that it was required to withhold taxes from a prior payment to or for the account of any Lender but failed to do so, such Lender shall promptly indemnify Collateral Agent fully for all amounts paid, directly or indirectly, by Collateral Agent as tax or otherwise, including penalties and interest, and together with all expenses incurred by Collateral Agent. Collateral Agent may offset against any payment to any Lender under a Loan Document, any applicable withholding tax that was required to be withheld from any prior payment to such Lender but which was not so withheld, as well as any other amounts for which Collateral Agent is entitled to indemnification from such Lender under the immediately preceding sentence of this Section 6 of this Exhibit B.

**7. Successor Collateral Agent.** Collateral Agent may resign at any time by delivering notice of such resignation to the Lenders and Borrower, effective on the date set forth in such notice or, if no such date is set forth therein, upon the date such notice shall be effective, in accordance with the terms of this Section 7 of this Exhibit B. If Collateral Agent delivers any such notice, the Required Lenders shall have the right to appoint a successor Collateral Agent. If, after 30 days after the date of the retiring Collateral Agent's notice of resignation, no successor Collateral Agent has been appointed by the Required Lenders that has accepted such appointment, then the retiring Collateral Agent may, on behalf of the Lenders, appoint a successor Collateral Agent from among the Lenders. Effective immediately upon its resignation, (a) the retiring Collateral Agent shall be discharged from its duties and obligations under the Loan Documents, (b) the Lenders shall assume and perform all of the duties of Collateral Agent until a successor Collateral Agent shall have accepted a valid appointment hereunder, (c) the retiring Collateral Agent and its Related Persons shall no longer have the benefit of any provision of any Loan Document other than with respect to any actions taken or omitted to be taken while such retiring Collateral Agent was, or because such Collateral Agent had been, validly acting as Collateral Agent under the Loan Documents, and (iv) subject to its rights under Section 2(b) of this Exhibit B, the retiring Collateral Agent shall take such action as may be reasonably necessary to assign to the successor Collateral Agent its rights as Collateral Agent under the Loan Documents. Effective immediately upon its acceptance of a valid appointment as Collateral Agent, a successor Collateral Agent shall succeed to, and become vested with, all the rights, powers, privileges and duties of the retiring Collateral Agent under the Loan Documents.

**8. Release of Collateral.** Each Lender hereby consents to the release and hereby directs Collateral Agent to release (or in the case of clause (b)(ii) below, release or subordinate) the following:

(a) any Guarantor if all of the stock of such Subsidiary owned by Borrower is sold or transferred in a transaction permitted under the Loan Documents (including pursuant to a valid waiver or consent), to the extent that, after giving effect to such transaction, such Subsidiary would not be required to guaranty any Obligations pursuant to any Loan Document; and

(b) any Lien held by Collateral Agent for the benefit of itself and the Lenders against (i) any Collateral that is sold or otherwise disposed of by Borrower in a transaction permitted by the Loan Documents (including pursuant to a valid waiver or consent), (ii) any Collateral subject to a Lien that is expressly permitted under clause (c) of the definition of the term "Permitted Lien" and (iii) all of the Collateral and Borrower, upon (A) termination of all of the Commitments, (B) payment in full in cash of all of the Obligations (other than inchoate indemnity Obligations) that Collateral Agent has theretofore been notified in writing by the holder of such Obligation are then due and payable, and (C) to the extent requested by Collateral Agent, receipt by Collateral Agent and Lenders of liability releases from Borrower in form and substance acceptable to Collateral Agent (the satisfaction of the conditions in this clause (iii), the "**Termination Date**").

**9. Setoff and Sharing of Payments.** In addition to any rights now or hereafter granted under any applicable requirement of law and not by way of limitation of any such rights, upon the occurrence and during the continuance of any Event of Default and subject to Section 10(d) of this Exhibit B, each Lender is hereby authorized at any time or from time to time upon the direction of Collateral Agent, without notice to Borrower or any other Person, any such notice being hereby expressly waived, to setoff and to appropriate and to apply any and all balances held by it at any of its offices for the account of Borrower (regardless of whether such balances are then due to Borrower) and any other properties or assets at any time held or owing by that Lender or that holder to or for the credit or for the account of Borrower against and on account of any of the Obligations that are not paid when due. Any Lender exercising a right of setoff or otherwise receiving any payment on account of the Obligations in excess of its Pro Rata Share thereof shall purchase for cash (and the other Lenders or holders shall sell) such participations in each such other Lender's or holder's Pro Rata Share of the Obligations as would be necessary to cause such Lender to share the amount so offset or otherwise received with each other Lender or holder in accordance with their respective Pro Rata Shares of the Obligations. Borrower agrees, to the fullest extent permitted by law, that (a) any Lender may exercise its right to offset with respect to amounts in excess of its Pro Rata Share of the Obligations and may purchase participations in accordance with the preceding sentence and (b) any Lender so purchasing a participation in the Term Loans made or other Obligations held by other Lenders or holders may exercise all rights of offset, bankers' lien, counterclaim or similar rights with respect to such participation as fully as if such Lender or holder were a direct holder of the Term Loans and the other Obligations in the amount of such participation. Notwithstanding the foregoing, if all or any portion of the offset amount or payment otherwise received is thereafter recovered from the Lender that has exercised the right of offset, the purchase of participations by that Lender shall be rescinded and the purchase price restored without interest.

**10. Advances; Payments; Non-Funding Lenders; Actions in Concert.**

(a) Advances; Payments. If Collateral Agent receives any payment with respect to a Term Loan for the account of Lenders on or prior to 2:00 p.m. (New York time) on any Business Day, Collateral Agent shall pay to each applicable Lender such Lender's Pro Rata Share of such payment on such Business Day. If Collateral Agent receives any payment with respect to a Term Loan for the account of Lenders after 2:00 p.m. (New York time) on any Business Day, Collateral Agent shall pay to each applicable Lender such Lender's Pro Rata Share of such payment on the next Business Day.

(b) Return of Payments.

(i) If Collateral Agent pays an amount to a Lender under this Agreement in the belief or expectation that a related payment has been or will be received by Collateral Agent from Borrower and such related payment is not received by Collateral Agent, then Collateral Agent will be entitled to recover such amount (including interest accruing on such amount at the rate otherwise applicable to such Obligation) from such Lender on demand without setoff, counterclaim or deduction of any kind.



(ii) If Collateral Agent determines at any time that any amount received by Collateral Agent under any Loan Document must be returned to Borrower or paid to any other Person pursuant to any insolvency law or otherwise, then, notwithstanding any other term or condition of any Loan Document, Collateral Agent will not be required to distribute any portion thereof to any Lender. In addition, each Lender will repay to Collateral Agent on demand any portion of such amount that Collateral Agent has distributed to such Lender, together with interest at such rate, if any, as Collateral Agent is required to pay to Borrower or such other Person, without setoff, counterclaim or deduction of any kind and Collateral Agent will be entitled to set off against future distributions to such Lender any such amounts (with interest) that are not repaid on demand.

(c) Non-Funding Lenders.

(i) Unless Collateral Agent shall have received notice from a Lender prior to the date of any Term Loan that such Lender will not make available to Collateral Agent such Lender's Pro Rata Share of such Term Loan, Collateral Agent may assume that such Lender will make such amount available to it on the date of such Term Loan in accordance with Section 2(b) of this Exhibit B, and Collateral Agent may (but shall not be obligated to), in reliance upon such assumption, make available a corresponding amount for the account of Borrower on such date. If and to the extent that such Lender shall not have made such amount available to Collateral Agent, such Lender and Borrower severally agree to repay to Collateral Agent forthwith on demand such corresponding amount together with interest thereon, for each day from the day such amount is made available to Borrower until the day such amount is repaid to Collateral Agent, at a rate per annum equal to the interest rate applicable to the Obligation that would have been created when Collateral Agent made available such amount to Borrower had such Lender made a corresponding payment available. If such Lender shall repay such corresponding amount to Collateral Agent, the amount so repaid shall constitute such Lender's portion of such Term Loan for purposes of this Agreement.

(ii) To the extent that any Lender has failed to fund any Term Loan or any other payments required to be made by it under the Loan Documents after any such Term Loan is required to be made or such payment is due (a "**Non-Funding Lender**"), Collateral Agent shall be entitled to set off the funding short-fall against that Non-Funding Lender's Pro Rata Share of all payments received from Borrower. The failure of any Non-Funding Lender to make any Term Loan or any payment required by it hereunder shall not relieve any other Lender (each such other Lender, an "**Other Lender**") of its obligations to make such Term Loan, but neither any Other Lender nor Collateral Agent shall be responsible for the failure of any Non-Funding Lender to make such Term Loan or make any other payment required hereunder. Notwithstanding anything set forth herein to the contrary, a Non-Funding Lender shall not have any voting or consent rights under or with respect to any Loan Document or constitute a "Lender" (or be included in the calculation of "Required Lender" hereunder) for any voting or consent rights under or with respect to any Loan Document. At Borrower's request, Collateral Agent or a Person reasonably acceptable to Collateral Agent shall have the right with Collateral Agent's consent and in Collateral Agent's sole discretion (but Collateral Agent or any such Person shall have no obligation) to purchase from any Non-Funding Lender, and each Lender agrees that if it becomes a Non-Funding Lender it shall, at Collateral Agent's request, sell and assign to Collateral Agent or such Person, all of the Term Loan Commitment (if any), and all of the outstanding Term Loan of that Non-Funding Lender for an amount equal to the aggregate outstanding principal balance of the Term Loan held by such Non-Funding Lender and all accrued interest with respect thereto through the date of sale, such purchase and sale to be consummated pursuant to an executed assignment agreement in form and substance reasonably satisfactory to, and acknowledged by, Collateral Agent.

(d) Actions in Concert. Anything in this Agreement to the contrary notwithstanding, each Lender hereby agrees with each other Lender that no Lender shall take any action to protect or enforce its rights arising out of any Loan Document (including exercising any rights of setoff) without first obtaining the prior written consent of Collateral Agent or Required Lenders, it being the intent of Lenders that any such action to protect or enforce rights under any Loan Document shall be taken in concert and at the direction or with the consent of Collateral Agent or Required Lenders.

EXHIBIT C

Loan Payment Request Form

Fax To: (212) 993-1698

Date: \_\_\_\_\_

LOAN PAYMENT:

SCPHARMACEUTICALS INC.

From Account # \_\_\_\_\_  
(Deposit Account #)

To Account # \_\_\_\_\_  
(Loan Account #)

and/or Interest \$ \_\_\_\_\_

Principal \$ \_\_\_\_\_

Authorized Signature: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Print Name/Title: \_\_\_\_\_

LOAN ADVANCE:

Complete *Outgoing Wire Request* section below if all or a portion of the funds from this loan advance are for an outgoing wire.

From Account # \_\_\_\_\_  
(Loan Account #)

To Account # \_\_\_\_\_  
(Deposit Account #)

Amount of Advance \$ \_\_\_\_\_

All Borrower's representations and warranties in the Loan and Security Agreement are true, correct and complete in all material respects on the date of the request for an advance; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date:

Authorized Signature: \_\_\_\_\_

Phone Number: \_\_\_\_\_

Print Name/Title: \_\_\_\_\_

OUTGOING WIRE REQUEST:

Complete only if all or a portion of funds from the loan advance above is to be wired.

Beneficiary Name: \_\_\_\_\_

Amount of Wire: \$ \_\_\_\_\_

Beneficiary Bank: \_\_\_\_\_

Account Number: \_\_\_\_\_

City and State: \_\_\_\_\_

Beneficiary Bank Transit (ABA) #: \_\_\_\_\_

Beneficiary Bank Code (Swift, Sort, Chip, etc.): \_\_\_\_\_

(For International Wire Only)

Intermediary Bank: \_\_\_\_\_

Transit (ABA) #: \_\_\_\_\_

For Further Credit to: \_\_\_\_\_

Special Instruction: \_\_\_\_\_

By signing below, I (we) acknowledge and agree that my (our) funds transfer request shall be processed in accordance with and subject to the terms and conditions set forth in the agreements(s) covering funds transfer service(s), which agreements(s) were previously received and executed by me (us).

Authorized Signature: \_\_\_\_\_

2nd Signature (if required): \_\_\_\_\_

Print Name/Title: \_\_\_\_\_

Print Name/Title: \_\_\_\_\_

Telephone #: \_\_\_\_\_

Telephone #: \_\_\_\_\_ ]

**EXHIBIT D**  
**Compliance Certificate**

TO: SOLAR CAPITAL LTD., as Collateral Agent and Lender  
SILICON VALLEY BANK, as Lender

FROM: SCPHARMACEUTICALS INC.

The undersigned authorized officer (“**Officer**”) of SCPHARMACEUTICALS INC. (“**Borrower**”), hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement dated as of May 23, 2017, by and among Borrower, Collateral Agent, and the Lenders from time to time party thereto (the “**Loan Agreement**,” capitalized terms used but not otherwise defined herein shall have the meanings given them in the Loan Agreement), with all required

(a) Borrower is in complete compliance for the period ending covenants except as noted below;

(b) There are no defaults or Events of Default, except as noted below;

(c) Except as noted below, all representations and warranties of Borrower stated in the Loan Documents are true and correct in all material respects on this date and for the period described in (a), above; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date.

(d) Borrower, and each of Borrower’s Subsidiaries, has timely filed all required tax returns and reports, Borrower, and each of Borrower’s Subsidiaries, has timely paid all foreign, federal, state, and local taxes, assessments, deposits and contributions owed by Borrower, or Subsidiary, except as otherwise permitted pursuant to the terms of Section 5.8 of the Loan Agreement;

(e) No Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Collateral Agent and the Lenders.

Attached are the required documents, if any, supporting our certification(s). The Officer, on behalf of Borrower, further certifies that the attached financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes and except, in the case of unaudited financial statements, for the absence of footnotes and subject to year-end audit adjustments as to the interim financial statements.

**Please indicate compliance status since the last Compliance Certificate by circling Yes, No, or N/A under “Complies” column.**

Reporting Covenant	Requirement	Actual	Complies		
1) Financial statements	Monthly within 30 days		Yes	No	N/A
2) Annual (CPA Audited) statements	within 180 days after FYE		Yes	No	N/A
3) Annual Financial Projections/Budget (prepared on a monthly basis)	Annually (within earlier 30 days of approval or 60 days of FYE), and when revised		Yes	No	N/A
4) A/R & A/ P agings	If applicable		Yes	No	N/A
5) 8-K 10-K and 10-Q Filings	If applicable, within 5 days of filing		Yes	No	N/A
6) Compliance Certificate	Monthly within 30 days		Yes	No	N/A
7) IP Report	When required		Yes	No	N/A
8) Total amount of Borrower’s cash and cash equivalents at the last day of the measurement period		\$_____	Yes	No	N/A
9) Total amount of Borrower’s Subsidiaries’ cash and cash equivalents at the last day of the measurement period		\$_____	Yes	No	N/A

**Deposit and Securities Accounts***(Please list all accounts; attach separate sheet if additional space needed)*

	Institution Name	Account Number	New Account?		Account Control Agreement in place?	
			Yes	No	Yes	No
1)			Yes	No	Yes	No
2)			Yes	No	Yes	No
3)			Yes	No	Yes	No
4)			Yes	No	Yes	No

**Other Matters**

1)	Have there been any changes in Key Persons since the last Compliance Certificate?	Yes	No
2)	Have there been any transfers/sales/disposals/retirement of Collateral or IP prohibited by the Loan Agreement?	Yes	No
3)	Have there been any new or pending claims or causes of action against Borrower that involve more than Two Hundred Fifty Thousand Dollars (\$250,000.00)?	Yes	No
4)	Have there been any amendments of or other changes to the capitalization table of Borrower and to the Operating Documents of Borrower or any of its Subsidiaries? If yes, provide copies of any such amendments or changes with this Compliance Certificate.	Yes	No
5)	Has Borrower or any Subsidiary entered into or amended any Material Agreement? If yes, please explain and provide a copy of the Material Agreement(s) and/or amendment(s).	Yes	No
6)	Has Borrower provided the Collateral Agent with all notices required to be delivered under Sections 6.2(a) and 6.2(b) of the Loan Agreement?	Yes	No



**Exhibit E**

**CORPORATE BORROWING CERTIFICATE**

**BORROWER:** SCPHARMACEUTICALS INC.  
**LENDERS:** SOLAR CAPITAL LTD., as Collateral Agent and Lender  
SILICON VALLEY BANK, as Lender

**DATE:** [\_\_\_\_], 2017

I hereby certify as follows, as of the date set forth above:

1. I am the Secretary, Assistant Secretary or other officer of Borrower. My title is as set forth below.
2. Borrower's exact legal name is set forth above. Borrower is a corporation existing under the laws of the State of Delaware.
3. Attached hereto as Exhibit A and Exhibit B, respectively, are true, correct and complete copies of (i) Borrower's Certificate of Incorporation (including amendments), as filed with the Secretary of State of the state in which Borrower is incorporated as set forth in paragraph 2 above; and (ii) Borrower's Bylaws. Neither such Certificate of Incorporation nor such Bylaws have been amended, annulled, rescinded, revoked or supplemented, and such Certificate of Incorporation and such Bylaws remain in full force and effect as of the date hereof.
4. The following resolutions were duly and validly adopted by Borrower's board of directors at a duly held meeting of such directors (or pursuant to a unanimous written consent or other authorized corporate action). Such resolutions are in full force and effect as of the date hereof and have not been in any way modified, repealed, rescinded, amended or revoked, and the Lenders may rely on them until each Lender receives written notice of revocation from Borrower.

***[Balance of Page Intentionally Left Blank]***

**RESOLVED**, that **any one** of the following officers or employees of Borrower, whose names, titles and signatures are below, may act on behalf of Borrower:

<u>Name</u>	<u>Title</u>	<u>Signature</u>	Authorized to Add or Remove <u>Signatories</u>
_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	<input type="checkbox"/>
_____	_____	_____	<input type="checkbox"/>

**RESOLVED FURTHER**, that **any one** of the persons designated above with a checked box beside his or her name may, from time to time, add or remove any individuals to and from the above list of persons authorized to act on behalf of Borrower.

**RESOLVED FURTHER**, that such individuals may, on behalf of Borrower:

**Borrow Money.** Borrow money from the Lenders.

**Execute Loan Documents.** Execute any loan documents any Lender requires.

**Grant Security.** Grant Collateral Agent a security interest in any of Borrower's assets.

**Negotiate Items.** Negotiate or discount all drafts, trade acceptances, promissory notes, or other indebtedness in which Borrower has an interest and receive cash or otherwise use the proceeds.

**Pay Fees.** Pay fees under the Loan Agreement or any other Loan Document.

**Further Acts.** Designate other individuals to request advances, pay fees and costs and execute other documents or agreements (including documents or agreement that waive Borrower's right to a jury trial) they believe to be necessary to effectuate such resolutions.

**RESOLVED FURTHER**, that all acts authorized by the above resolutions and any prior acts relating thereto are ratified.

**[Balance of Page Intentionally Left Blank]**

5. The persons listed above are Borrower's officers or employees with their titles and signatures shown next to their names.

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

\*\*\* *If the Secretary, Assistant Secretary or other certifying officer executing above is designated by the resolutions set forth in paragraph 4 as one of the authorized signing officers, this Certificate must also be signed by a second authorized officer or director of Borrower.*

I, the \_\_\_\_\_ of Borrower, hereby certify as to paragraphs 1 through 5 above, as of the date set forth above.  
[print title]

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Title:** \_\_\_\_\_

*[Signature Page to Corporate Borrowing Certificate]*



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**EXHIBIT A**

**Certificate of Incorporation (including amendments)**

[see attached]

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**EXHIBIT B**

**Bylaws**

[see attached]

**EXHIBIT F**  
**ACH LETTER**

SOLAR CAPITAL LTD.  
500 Park Avenue, 3rd Floor  
New York, NY 10022  
Attention: Neil Bonanno  
Fax: (212) 993-1698  
Email: bonanno@solarcapltd.com

Re: Loan and Security Agreement dated as of May 23, 2017 (the "Agreement") by and among SCPHARMACEUTICALS INC. ("Borrower"), Solar Capital Ltd. ("Solar"), as collateral agent (in such capacity, "Collateral Agent") and the Lenders listed on Schedule 1.1 thereof or otherwise a party thereto from time to time, including Solar in its capacity as a Lender and Silicon Valley Bank (each a "Lender" and collectively, the "Lenders"). Capitalized terms used but not otherwise defined herein shall have the meanings given them under the Agreement.

In connection with the above referenced Agreement, the Borrower hereby authorizes the Collateral Agent to, at its discretion and with prior notice of at least one (1) Business Day, initiate debit entries to the Borrower's account indicated below (i) on each payment date of all Obligations then due and owing, (ii) at any time any payment due and owing with respect to Lender Expenses, and (iii) upon an Event of Default, any other Obligations outstanding, in each case pursuant to Section 2.3(e) of the Agreement. The Borrower authorizes the depository institution named below to debit to such account.

DEPOSITORY NAME	BRANCH
CITY	STATE AND ZIP CODE
TRANSIT/ABA NUMBER	ACCOUNT NUMBER

This authority will remain in full force and effect so long as any amounts are due under the Agreement.

*[Signature page to follow]*

**SCPHARMACEUTICALS INC.**

By: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

[Signature Page to ACH Letter]

Exhibit G  
Form of Secured Promissory Note  
**SECURED PROMISSORY NOTE**  
**(Term Loan)**

\$ \_\_\_\_\_

Dated: [DATE]

FOR VALUE RECEIVED, the undersigned, SCPHARMACEUTICALS INC., a Delaware corporation with offices located at [\_\_\_\_\_] (“**Borrower**”) HEREBY PROMISES TO PAY to the order of [\_\_\_\_\_] (“**Lender**”) the principal amount of [\_\_\_\_\_] DOLLARS (\$\_\_\_\_\_) or such lesser amount as shall equal the outstanding principal balance of the Term Loan made to Borrower by Lender, plus interest on the aggregate unpaid principal amount of such Term Loan, at the rates and in accordance with the terms of the Loan and Security Agreement dated [\_\_\_\_\_] 2017 by and among Borrower, Lender, Solar Capital Ltd., as Collateral Agent, and the other Lenders from time to time party thereto (as amended, restated, supplemented or otherwise modified from time to time, the “**Loan Agreement**”). If not sooner paid, the entire principal amount and all accrued and unpaid interest hereunder shall be due and payable on the Maturity Date as set forth in the Loan Agreement. Any capitalized term not otherwise defined herein shall have the meaning attributed to such term in the Loan Agreement.

Principal, interest and all other amounts due with respect to the Term Loan, are payable in lawful money of the United States of America to Lender as set forth in the Loan Agreement and this Secured Promissory Note (this “**Note**”). The principal amount of this Note and the interest rate applicable thereto, and all payments made with respect thereto, shall be recorded by Lender and, prior to any transfer hereof, endorsed on the grid attached hereto which is part of this Note.

The Loan Agreement, among other things, (a) provides for the making of a secured Term Loan by Lender to Borrower, and (b) contains provisions for acceleration of the maturity hereof upon the happening of certain stated events.

This Note may not be prepaid except as set forth in Section 2.2 (c) and Section 2.2(d) of the Loan Agreement.

This Note and the obligation of Borrower to repay the unpaid principal amount of the Term Loan, interest on the Term Loan and all other amounts due Lender under the Loan Agreement is secured under the Loan Agreement.

Presentment for payment, demand, notice of protest and all other demands and notices of any kind in connection with the execution, delivery, performance and enforcement of this Note are hereby waived.

Borrower shall pay all Lenders’ Expenses incurred by Lender in the enforcement or attempt to enforce any of Borrower’s obligations hereunder not performed when due subject to the terms of the Loan Agreement.

This Note shall be governed by, and construed and interpreted in accordance with, the internal laws of the State of New York.

The ownership of an interest in this Note shall be registered on a record of ownership maintained by Lender or its agent. Notwithstanding anything else in this Note to the contrary, the right to the principal of, and stated interest on, this Note may be transferred only if the transfer is registered on such record of ownership and the transferee is identified as the owner of an interest in the obligation. Borrower shall be entitled to treat the registered holder of this Note (as recorded on such record of ownership) as the owner in fact thereof for all purposes and shall not be bound to recognize any equitable or other claim to or interest in this Note on the part of any other person or entity.

**[Balance of Page Intentionally Left Blank]**

IN WITNESS WHEREOF, Borrower has caused this Note to be duly executed by one of its officers thereunto duly authorized on the date hereof.

**BORROWER:**

SCPHARMACEUTICALS INC.

By \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

**LOAN AND PAYMENTS OF PRINCIPAL**

<u>Date</u>	<u>Interest Rate</u>	<u>Principal Amount</u>	<u>Scheduled Payment Amount</u>	<u>Notation By</u>
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Exhibit H  
Sensile Agreements

- Device Development Agreement between Borrower and Sensile Holding AG dated as of March 22, 2013, as amended as of July 29, 2013 and February 17, 2014
- Strategic Partnership Agreement between Borrower and Sensile Holding AG dated as of March 18, 2013, as amended as of January 31, 2014
- Development Option Agreement between Borrower and Sensile Holding AG dated as of June 24, 2013
- Notice of Exercise of Option to Develop and Commercialize between Borrower and Sensile Holding AG dated as of October 31, 2013
- Omnibus Amendment to Strategic Partnership Agreement, Device Development Agreement and Development Option Agreement by and among Borrower, Sensile Medical AG, Sensile Holding AG and Sensile Patent AG dated as of February 28, 2014, as amended as of September 5, 2014
- License Agreement between the Company and Sensile Medical AG, Sensile Holding AG and Sensile Patent AG dated as of June 29, 2015, as amended as of June 29, 2016, August 5, 2016, November 22, 2017 and February 25, 2017



**List of Subsidiaries of Registrant**

None.