

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

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**FORM 8-K**

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**CURRENT REPORT**  
**Pursuant to Section 13 or 15(d)**  
**of the Securities Exchange Act of 1934**

**Date of Report (Date of earliest event reported): December 17, 2014**

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**PIERIS PHARMACEUTICALS, INC.**

(Exact Name of Registrant as Specified in its Charter)

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**Nevada**  
(State of Incorporation)

**333-190728**  
(Commission  
File Number)

**EIN 30-0784346**  
(IRS Employer  
Identification No.)

**Lise-Meitner-Strasse 30**  
**85354 Freising-Weihenstephan, Germany**  
(Address of principal executive offices, including zip code)

**Registrant's telephone number, including area code: +49 81 6114 11400**

**Marika Inc.**  
**2360 Corporate Circle Suite 400**  
**Henderson NV 89074-7722**  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
  - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
  - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
  - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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### EXPLANATORY NOTE

Pieris Pharmaceuticals, Inc., a Nevada corporation formerly known as Marika Inc., is providing the disclosure contained in this Current Report on Form 8-K in connection with the closing of the Acquisition, as defined below, under the following items of Form 8-K: Item 1.01, Item 2.01, Item 3.02, Item 3.03, Item 4.01, Item 5.01, Item 5.02, Item 5.03, Item 5.06, Item 5.07 and Item 9.01.

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As used in this Current Report on Form 8-K, unless the context indicates or otherwise requires, all references to “Pieris” refer to Pieris Pharmaceuticals, Inc., a Nevada corporation formerly known as Marika Inc.; all references to “Pieris Operating” refer to Pieris AG, a company organized under the laws of Germany that became the wholly owned subsidiary of Pieris following the completion of the Acquisition, as described in this report; all references to the “Combined Company” refer to Pieris and its subsidiaries, including Pieris Operating; and all references to “we,” “our” and “us” refer to the Combined Company from and after the closing of the Acquisition.

We have registered trademarks for Pieris®, Anticalin® and Pocket Binding™. All other trademarks, trade names and service marks included in this Current Report on Form 8-K are the property of their respective owners.

### **Currency Presentation and Currency Translation**

Unless otherwise indicated, all references to “dollars,” “\$,” “U.S. \$” or “U.S. dollars” are to the lawful currency of the United States. All references in this annual report to “euro” or “€” are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended. We prepare our financial statements in U.S. dollars.

The functional currency for our operations is the euro. With respect to our financial statements, the translation from the euro to U.S. Dollars is performed for balance sheet accounts using exchange rates in effect at the balance sheet date and for revenue and expense accounts using a weighted average exchange rate during the period. The resulting translation adjustments are recorded as a component of other comprehensive income.

Where in this report we refer to amounts in euros, we have for your convenience also in certain cases provided a conversion of those amounts to U.S. Dollars in parentheses. Where the numbers refer to a specific balance sheet account date or financial statement account period, we have used the exchange rate that was used to perform the conversions in connection with the applicable financial statement. In all other instances, unless otherwise indicated, the conversions have been made using the noon buying rate of €1.00 to U.S. \$1.3779 in The City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York as of December 31, 2013.

The conversions provided in this report should not be construed as representations that the euro amounts actually represent U.S. Dollar amounts or could be converted into U.S. Dollars at the rates indicated.

### **FORWARD-LOOKING STATEMENTS**

Statements in this Current Report on Form 8-K that are not descriptions of historical facts are forward-looking statements that are based on management’s current expectations and assumptions and are subject to risks and uncertainties. If such risks or uncertainties materialize or such assumptions prove incorrect, our business, operating results, financial condition and stock price could be materially negatively affected. In some cases, you can identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “could,” “estimates,” “expects,” “intends,” “may,” “plans,” “potential,” “predicts,” “should,” “will,” “would” or the negative of these terms or other comparable terminology, however not all forward-looking statements contain one or more of these identifying terms. Factors that could cause actual results to differ materially from those currently anticipated include those set forth in the section titled “Risk Factors” including, without limitation, risks relating to:

- the results of our research and development activities, including uncertainties relating to the discovery of potential drug candidates and the preclinical and ongoing or planned clinical testing of our drug candidates;
- the early stage of our drug candidates presently under development;
- our ability to obtain and, if obtained, maintain regulatory approval of our current drug candidates and any of our other future drug candidates;
- our need for substantial additional funds in order to continue our operations and the uncertainty of whether we will be able to obtain the funding we need;
- our future financial performance;
- our ability to retain or hire key scientific or management personnel;
- our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights;
- our dependence on third-party manufacturers, suppliers, research organizations, testing laboratories and other potential collaborators;

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- our ability to successfully market and sell our drug candidates in the future as needed;
- the size and growth of the potential markets for any of our approved drug candidates, and the rate and degree of market acceptance of any of our approved drug candidates;
- competition in our industry; and
- regulatory developments in the U.S. and foreign countries.

We operate in a very competitive and rapidly changing environment, and new risks emerge from time to time. As a result, it is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the forward-looking statements regarding future events and circumstances discussed in this report may not occur and actual results, or the timing thereof, could differ materially and adversely from those anticipated or implied in the forward-looking statements. You should not rely upon forward-looking statements as predictions of future events. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee that the future results, levels of activity, performance or events and circumstances reflected in the forward-looking statements will be achieved or occur. The forward-looking statements included in this report speak only as of the date hereof, and except as required by law, we undertake no obligation to update publicly any forward-looking statements for any reason after the date of this report to conform these statements to actual results or to changes in our expectations.

### **Item 1.01 Entry into a Material Definitive Agreement.**

#### *Acquisition Agreement*

On December 17, 2014, Pieris, Pieris Operating and the former stockholders of Pieris Operating entered into an Acquisition Agreement, or the Acquisition Agreement. Pursuant to the Acquisition Agreement, the stockholders of Pieris Operating contributed all of their equity interests in Pieris Operating to Pieris for shares of Pieris common stock, which resulted in Pieris Operating becoming a wholly owned subsidiary of Pieris, which we refer to as the Acquisition. The Acquisition closed on December 17, 2014 promptly following the execution of the Acquisition Agreement. Reference is made to the descriptions of the Acquisition and the Acquisition Agreement included in Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference. The description of the Acquisition Agreement set forth in this report is qualified in its entirety by reference to the full text of that document, which is attached hereto as Exhibit 2.1 and is incorporated herein by reference.

In connection with the Acquisition and pursuant to the Split-Off Agreement, as defined below, Pieris transferred its pre-Acquisition assets and liabilities to its former majority stockholder, Aleksandrs Sviks, in exchange for the surrender by him and cancellation of 11,363,635 shares of Pieris common stock, or the Split-Off. Reference is made to the descriptions of the Split-Off and the Split-Off Agreement included in Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference. The description of the Split-Off Agreement set forth in this report is qualified in its entirety by reference to the full text of that document, which is attached hereto as Exhibit 10.33 and is incorporated herein by reference.

#### *Indemnification Agreements*

On December 15, 2014, the Pieris Board of Directors approved a form of indemnification agreement to be entered into between us and our directors and executive officers. Immediately following the closing of the Acquisition on December 17, 2014, we entered into indemnification agreements in the form approved by our Board of Directors with each of the following newly appointed executive officers and directors: Stephen S. Yoder, Chau Khuong, Dr. Christina Takke, Michael Richman, and Steven Prelack. For information about our indemnification agreements, see the disclosure under the heading "Indemnification of Directors and Officers" included in Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference. The foregoing is only a brief description of the indemnification agreement, does not purport to be a complete description of the rights and obligations of the parties thereunder and is qualified in its entirety by reference to the form of indemnification agreement filed as Exhibit 10.10 to this Current Report on Form 8-K and incorporated herein by reference.

### **Item 2.01 Completion of Acquisition or Disposition of Assets.**

#### *The Acquisition*

The Acquisition closed on December 17, 2014 promptly following the execution of the Acquisition Agreement.

On December 5, 2014, Pieris completed a 2.272727-for-1 forward split of its common stock in the form of a share dividend, with the result that 6,100,000 shares of common stock outstanding immediately prior to the stock split became 13,863,635 shares of common stock outstanding immediately thereafter. Effective as of December 16, 2014, prior to the closing of the Acquisition, Pieris

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amended and restated its Articles of Incorporation to, among other things, change its name from Marika Inc. to “Pieris Pharmaceuticals, Inc.,” and increase its authorized capital stock from 75,000,000 shares of common stock, par value \$0.001 per share, to 300,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of “blank check” preferred stock, par value \$0.001 per share. On December 17, 2014, Pieris transferred its pre-Acquisition assets and liabilities to its former majority stockholder, Aleksandrs Sviks, in exchange for the surrender by him and cancellation of 11,363,635 shares of Pieris common stock. All share and per share numbers in this report relating to our shares of common stock have been adjusted to give effect to the stock split unless otherwise stated.

At the closing of the Acquisition and pursuant to the terms of the Acquisition Agreement, Pieris issued an aggregate of 20,000,000 shares of its common stock to the former stockholders of Pieris Operating in exchange for all of the outstanding shares of Pieris Operating’s capital stock. The number of shares of Pieris common stock issued in the Acquisition was negotiated and agreed to by Pieris, Pieris Operating and the former stockholders of Pieris Operating prior to entering into the Acquisition Agreement. Upon the closing of the Acquisition, Pieris Operating became a wholly owned subsidiary of Pieris, and the former stockholders of Pieris Operating became the owners of approximately 89% of the outstanding shares of Pieris’ common stock.

The Acquisition Agreement includes customary representations, warranties and covenants made by Pieris and Pieris Operating as of specific dates. The assertions embodied in those representations and warranties were made solely for purposes of the Acquisition Agreement and are not intended to provide factual, business or financial information about Pieris, Pieris Operating or the Combined Company. Moreover, those representations and warranties were made solely for the benefit of the parties to the Acquisition Agreement, and some or all of them (i) may not be accurate or complete as of any specified date, (ii) may be subject to a contractual standard of materiality different from those generally applicable to stockholders or different from what a stockholder might view as material, and/or (iii) may have been qualified by certain disclosures of Pieris or Pieris Operating not reflected in the Acquisition Agreement. The description of the Acquisition Agreement set forth in this report does not purport to be complete and is qualified in its entirety by reference to the full text of that document. A copy of the Acquisition Agreement is attached to this Current Report on Form 8-K as Exhibit 2.1 and is incorporated herein by reference.

### *The Split-Off*

Upon the closing of the Acquisition, under the terms of the Split-Off Agreement, dated December 17, 2014 among Pieris, Marika Enterprises Inc. and Aleksandrs Sviks, or the Split-Off Agreement, and a general release agreement, Pieris transferred all of its pre-Acquisition operating assets and liabilities to its wholly-owned special-purpose subsidiary, Marika Enterprises Inc., a Nevada corporation, or the Split-Off Subsidiary, formed on December 15, 2014. Thereafter, pursuant to the Split-Off Agreement, Pieris transferred all of the outstanding shares of capital stock of Split-Off Subsidiary to Aleksandrs Sviks, the pre-Acquisition majority stockholder of Pieris, and the former sole officer and director of Pieris, in consideration of and in exchange for (i) the surrender and cancellation of an aggregate of 11,363,635 shares of Pieris common stock held by Mr. Sviks (which were cancelled and will resume the status of authorized but unissued shares of Pieris common stock) and (ii) certain representations, covenants and indemnities. Under the terms of a General Release Agreement, dated December 17, 2014, among Pieris, Split-Off Subsidiary and Aleksandrs Sviks, Split-Off Subsidiary and Mr. Sviks agreed to a general release of all claims and liabilities of Pieris and Pieris Operating, as well as certain other customary covenants. The description of the Split-Off Agreement and the General Release Agreement set forth in this report does not purport to be complete and is qualified in its entirety by reference to the full text of those documents. A copy of the Split-Off Agreement and General Release Agreement are attached to this Current Report on Form 8-K as Exhibit 10.33 and 10.34, respectively, and are incorporated herein by reference.

### *Post-Acquisition Ownership of Pieris*

As of immediately after the closing of the Acquisition and the Split-Off, our securities (on a fully diluted basis) are owned as follows:

- Former holders of Pieris Operating’s capital stock hold an aggregate of 20,000,000 shares of our common stock, or approximately 78% on a fully diluted basis;
- Holders of our common stock prior to the closing of the Acquisition hold an aggregate of 2,500,000 shares of our common stock, or approximately 10% on a fully diluted basis; and
- 3,200,000 shares of our common stock are reserved for issuance under the 2014 Employee, Director and Consultant Equity Incentive Plan of Pieris Pharmaceuticals, Inc., or the Pieris Plan, representing approximately 12% on a fully diluted basis. As of the date hereof, options to purchase 2,519,500 shares of our common stock have been issued under the Pieris Plan to our executive officers, directors, employees and consultants. For additional information, see “Executive Compensation—Director Compensation” and “Executive Compensation—Description of the Pieris Plan.” As a result of such grants, 680,500 shares of our common stock are available for future issuances under the Pieris Plan.

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### *Accounting Treatment of the Acquisition*

The Acquisition is being accounted for as a reverse-merger and recapitalization. Pieris Operating is the acquirer for financial reporting purposes and Pieris is the acquired company. Consequently, the assets and liabilities and the operations that will be reflected in the historical financial statements prior to the Acquisition will be those of Pieris Operating and will be recorded at the historical cost basis of Pieris Operating, and the consolidated financial statements after completion of the Acquisition will include the assets and liabilities and results of operations of Pieris Operating up to the day prior to the closing of the Acquisition and the assets and liabilities and results of operations of the Combined Company from and after the closing date of the Acquisition.

### *Smaller Reporting Company*

Following the Acquisition, the Combined Company continues to be a “smaller reporting company,” as defined in Item 10(f)(1) of Regulation S-K, as promulgated by the Securities and Exchange Commission, or the SEC.

### *Background of Pieris; Form 10 Requirements*

Pieris was incorporated on May 24, 2013 in Nevada with the name “Marika Inc.” Prior to the Acquisition, Pieris pursued a business of an errand concierge service online marketplace. Upon the closing of the Acquisition and the Split-Off, Pieris discontinued its pre-Acquisition business plans and is now pursuing the business of Pieris Operating.

Pieris filed a registration statement on Form S-1 (File No. 333-190728) that was declared effective by the SEC on January 28, 2014, and sold an aggregate of 2,500,000 shares of its common stock (on a post forward stock split basis) under that registration statement.

Prior to the closing of the Acquisition, Pieris was a “shell company,” as such term is defined in Rule 12b-2 under the Securities Exchange Act of 1934, as amended, or the Exchange Act. Accordingly, pursuant to the requirements of Item 2.01(f) and Item 5.01(a)(8) of Form 8-K, this Item 2.01 sets forth the information that would be required if the Combined Company were filing a general form for registration of a class of securities on Form 10 under the Exchange Act, with such information reflecting the Combined Company and its securities upon completion of the Acquisition. Following the Acquisition, Pieris is a holding company, without any operations or employees, and the sole stockholder of Pieris Operating. Solely for purposes of filings with the SEC, the principal contact for Pieris shall be at the principal executive office of Pieris Operating, located at Lise-Meitner-Strasse 30 85354 Freising-Weihestephan, Germany, or under the telephone number +49 81 6114 11400.

## **BUSINESS**

### **Overview**

We are a clinical stage biopharmaceutical company dedicated to the discovery and development of our Anticalin® class of biotherapeutics for patients with diseases in which we believe there is high unmet medical need. Anticalin proteins are a class of low molecular-weight therapeutic proteins derived from lipocalins, which are naturally occurring low-molecular weight human proteins typically found in blood plasma and other bodily fluids.

Anticalin®-branded proteins function similarly to monoclonal antibodies, or mAbs, by binding tightly and specifically to a diverse range of targets. An antibody is a large protein used by the immune system that recognizes a unique part of a foreign target molecule, called an antigen. We believe Anticalin proteins possess numerous advantages over antibodies in certain applications. For example, Anticalin proteins are small in size and are monomeric, meaning single protein units rather than a multi-protein complex. Therefore, we believe Anticalins are generally more stable biophysically than tetrameric monoclonal antibodies, composed of four protein subunits, potentially enabling unique routes of drug administration such as pulmonary delivery. Higher-molecular-weight entities such as antibodies are often too large to be delivered effectively through these methods. In addition, Anticalin proteins are monovalent in structure, which means they bind to a single cell surface receptor and which may avoid the risk of cross-linking of cell surface receptors where such receptors are a therapeutic target. Antibody-mediated cross-linking can occur when each of the two “arms” of an antibody binds to a cell surface receptor and brings these receptors into close proximity, which can lead to aggressive cell growth that is characteristic of cancer. While our basic Anticalin proteins have only a single binding site and are not subject to such cross-linking, our Anticalin-branded technology is also modular, which allows us to design Anticalin proteins to bind with specificity to multiple targets at the same time. This multispecificity offers advantages in biological settings where binding to multiple targets can enhance the ability of a drug to achieve its desired effects, such as killing cancer cells. Moreover, unlike antibodies, the pharmacokinetic, or PK, profile of Anticalin proteins can be adjusted to potentially enable program-specific optimal drug exposure. Such differentiating characteristics suggest that Anticalin proteins have the potential, in certain cases, to become first-in-class drugs.

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We have access to intellectual property rights directed to various aspects of our Anticalin® technology platform, allowing for development and advancement of our platform and drug candidates. We believe our ownership and/or license of our Anticalin platform provides us with a strong intellectual property position, particularly where we are seeking to address targets and diseases in a novel way and for which there is existing monoclonal antibody intellectual property.

We believe that the drug-like properties of the Anticalin® drug class were demonstrated in a Phase Ib clinical trial in solid tumor patients of our anti-VEGF-A Anticalin-branded drug candidate, PRS-050, designed to inhibit blood vessel growth in solid tumors. VEGF-A is a protein that induces growth of blood vessels, and anti-VEGF-A drug aim to inhibit the blood supply to solid tumors. In a multi-ascending dose trial performed under governance by the German Federal Institute for Drugs and Medical Devices (*Bundesinstitut für Arzneimittel und Medizinprodukte, or BfArM*), PRS-050 was shown to be generally safe and well-tolerated, and we were not able to detect any anti-drug antibodies, or ADAs, following administration of a total of 144 doses with five or more doses to 17 patients. We believe that these results demonstrated that there was no apparent immune response against PRS-050. Furthermore, dose-proportional pharmacokinetics, pharmacology and biomarker activity were observed in the trial, which we believe demonstrates that PRS-050 engaged with its intended target VEGF-A in those patients. While we have not advanced development of PRS-050 since that time for strategic and business reasons, we believe that the positive results from this clinical trial generally support continued investment in our Anticalin drug candidates.

Our current development plans focus mainly on two drug candidates, PRS-080 and PRS-060. PRS-080 is an Anticalin® protein that binds to hepcidin, a natural regulator of iron in the blood. An excess amount of hepcidin can cause functional iron deficiency, or FID, which often cannot be treated adequately with iron supplements and can lead to anemia. PRS-080 has been designed to target hepcidin for the treatment of FID in anemic patients with chronic kidney disease, or CKD, particularly in end-stage renal disease patients requiring dialysis. We believe that by blocking the actions of hepcidin, PRS-080 will serve to address anemia by mobilizing iron for incorporation into red blood cells. Furthermore, we engineered PRS-080 so that following administration, it is expected to clear from the human body in less than one week, a much shorter timeframe than antibodies, which typically have a half-life of two weeks or greater. We believe a shorter residence time in the body may be a superior approach for countering excess hepcidin, as physiological levels of hepcidin in these patients are relatively high (nanomolar concentration), and in theory such high concentrations will quickly saturate an administered binding drug. As a result, frequent administration of a drug may be required in order to sufficiently antagonize, or suppress the effect of, the target. The longer residence time of a monoclonal antibody, or mAb, could lead to the accumulation of both the drug and the target beyond the typical residence time of hepcidin, resulting in large quantities of hepcidin bound to mAbs. We initiated a Phase I clinical trial with PRS-080 in healthy volunteers in November 2014 and expect to report the data from this trial by the end of 2015.

The second Anticalin® drug candidate, PRS-060, binds to the IL-4 receptor alpha-chain (IL-4RA), thereby inhibiting IL-4 and IL-13, two cytokines (signaling proteins) known to be key mediators in the inflammatory cascade that causes asthma and other inflammatory diseases. The small size and biophysical stability of PRS-060 enable direct delivery to the lungs, such as through the use of an inhaler, which we believe will enable high concentrations of the drug candidate at the locus of disease at substantially lower doses than would be achievable with antibodies that are systemically delivered. Further, PRS-060 has a short systemic residence time in the body which we believe may avoid undesired target engagement outside of the desired area in the lungs. PRS-060 is currently in preclinical development, and we intend to begin a Phase I clinical trial with PRS-060 in 2016.

We are also developing PRS-110 and our 300-Series in oncology. PRS-110 is a monovalent cMet antagonist that is designed to block cMet activity, independent of whether induced by hepatocyte growth factor, or HGF, the natural ligand for cMet, or mediated through intrinsic ligand-independent activity. cMet is a receptor tyrosine kinase, a well-known high-affinity cell surface receptor which is essential for embryonic development and wound healing and has been associated with several different cancers, including renal, gastric and lung carcinomas, central nervous system tumors and sarcomas. We have shown in preclinical in vivo studies that PRS-110 blocks both ligand-dependent and ligand-independent activity while also being devoid of any activating (agonistic) activity, likely due to the monovalent manner in which it engages cMet. Preclinical studies have also shown that PRS-110 both inhibits receptor activation and leads to receptor removal, highlighting its novel mechanism of action and potential for the treatment of cMet-driven tumors. In October 2013, we entered into a development and license agreement with Cadila Healthcare Limited (Zyudus Cadila), or Zyudus, for the preclinical development of PRS-110, pursuant to which we share certain commercial rights to PRS-110 with Zyudus. For more information about the Zyudus agreement, see “—Strategic Partnerships”.

Our second set of oncology drug candidates is our 300-Series “platform within a product” opportunity in immuno-oncology. The 300-Series Anticalin® proteins target checkpoint proteins and define a variety of multifunctional biotherapeutics that genetically link an antibody with one or more Anticalin proteins, thereby constituting a multispecific protein. Checkpoint proteins are proteins that help the development of an immune response or downregulate the response, for example when an infection is eliminated. We are conducting preclinical experiments on a number of 300-Series lead candidates and intend to choose a candidate for clinical trials in oncology by the end of 2015. The 300-Series platform is modular, which we believe will permit rapid evaluation of unique combinations of validated tumor targets and immunomodulatory checkpoint proteins. For example, one panel of 300-Series Anticalin



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proteins, currently being evaluated in the preclinical stage of experiments, is directed with specificity and subnanomolar affinity against CTLA-4, a protein receptor that downregulates the immune system and which is found on the surface of T cells, regulating T cells at their stage of initial activation, in effect turning “off” the attacking nature of the T cells. T cells are a type of white blood cell that play several central roles in the immune system. Inhibiting CTLA-4, and thus allowing T cells to attack cancer cells, has been validated with other biologics, including ipilimumab, which is marketed by Bristol-Myers Squibb as Yervoy.

In addition, in November 2013, Pieris Operating entered into a joint development and license agreement with Stelis BioPharma Private Limited, a subsidiary of Strides Arcolab Limited, or Stelis, establishing a collaboration for clinical development and commercialization of certain of our proprietary products, primarily focusing on use in ophthalmological applications. Under the terms of the agreement, we contribute certain proprietary assets to the development project, and Stelis agrees to establish a production process for preclinical and clinical supplies of product and to perform certain preclinical and a first-in-human clinical study. We agreed that upon reaching certain development stages for a product, we and Stelis would discuss the possible formation of a joint venture to further develop and commercialize such product. We believe the agreement pairs our drug discovery capabilities with Stelis’ bio-manufacturing and clinical development expertise. For more information about the Stelis agreement, see “—Strategic Partnerships” below.

Our core Anticalin® technologies and platform were developed in Germany, and we have partnership arrangements with major multinational pharmaceutical companies headquartered in the U.S., Europe and Japan and with regional pharmaceutical companies headquartered in India. We have discovery and preclinical collaboration and service agreements with both academic institutions and private firms in Australia, which increasingly are and will be handled through our wholly owned subsidiary, Pieris Australia Pty Ltd. We also intend to establish a greater U.S. presence and take advantage of the U.S. capital markets, additional potential corporate partners, and the broad expertise found in the biotechnology industry in the United States. Additionally, we have existing agreements in place with large international pharmaceutical companies, including Allergan Inc., or Allergan, Daiichi Sankyo Company Limited, or Daiichi Sankyo, and Sanofi Group, or Sanofi, pursuant to which our Anticalin platform has consistently achieved its research milestones.

Our management team is comprised of experienced biotechnology professionals. Their careers encompass numerous publicly traded and privately held biotechnology companies and they have decades of collective experience in drug discovery and development as well as in negotiating and closing partnerships with major pharmaceutical companies. We intend to augment the current team with selected personnel in the United States after we complete our U.S. offering and establish a U.S. presence.

## Strategy

Our goal is to become a fully integrated biotechnology company by developing Anticalin® therapeutics against a variety of targets in diseases and conditions with high unmet medical need, and later developing and commercializing our products. We intend to take advantage of our operational experience in technology development and our history of successful partnerships and collaborations to gain access to additional partnerships that will help provide us the experience we need to bring Anticalin drug candidates to market in a number of indications. We intend to engage with partners for many of our programs in a combination of geographic and indication-based arrangements to maximize our business opportunities. We also intend to retain certain development and commercial rights on selected products as our experience in drug development grows. Key elements of our strategy include:

- **Continue to build our platform by entering into new partnerships and license and collaborative arrangements and advancing our currently-partnered programs.** We have already entered into partnership and collaborative arrangements with pharmaceutical companies in a diverse range of therapeutic areas and geographies. We have active partnerships with global pharmaceutical companies, such as Allergan, Sanofi and Daiichi Sankyo, and have entered into partnership arrangements with two pharmaceutical companies based in India, Zydus and Stelis. Together with these partners, we intend to advance multiple drug candidates through preclinical studies and to select further drug candidates for clinical development in the future. We will also continue to seek to engage with new pharmaceutical partners that can contribute funding, experience and marketing ability for the successful development and commercialization of our current and future drug candidates.
- **Advance our lead drug candidate, PRS-080, against hepcidin in clinical trials.** We intend to continue the recently initiated Phase I clinical trial with PRS-080 in healthy volunteers, and anticipate being able to report the data from this trial by the end of 2015. Depending on the results of the trial, thereafter pursue biomarker-driven efficacy trials in CKD patients suffering from FID-anemia.
- **Bring other drug candidates in our proprietary pipeline into clinical trials.** We have a strong preclinical pipeline of Anticalin drug candidates in diverse indications such as severe asthma (PRS-060) and immuno-oncology (300-Series). We will continue to move forward with preclinical and discovery work on these drug candidates with the goal of advancement into clinical trials on a data-driven basis.



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- **Pursue and broaden opportunities for our Anticalin technology.** We intend to continue to identify, vet and pursue opportunities to develop novel Anticalin therapeutics for oncology, pulmonary disease and a variety of additional diseases, as we continue to improve on the Anticalin platform technology.
- **Develop an even broader geographic base.** Through our partnerships with pharmaceutical companies in Europe, Asia and the United States, and through our preclinical and clinical collaboration arrangements in Australia, we have already created a broad set of international contacts that allows us to seek diverse opportunities in the global biotechnology industry. By seeking to establish a greater presence in the United States, we intend to further diversify our contacts and opportunities and take advantage of the strengths of the U.S. capital markets, drug development capabilities and partnership opportunities.

### **Anticalin platform technology**

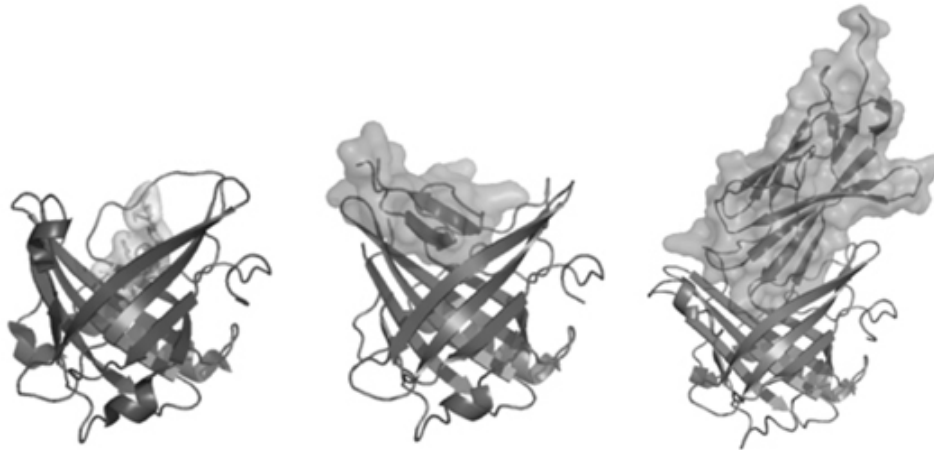
Our platform technology focuses on low molecular-weight Anticalin® proteins that bind tightly and specifically to a diverse range of targets. Anticalin proteins are derived from human proteins called lipocalins, which are naturally occurring low-molecular weight human proteins of approximately 18 to 20kDA molecular mass typically found in blood plasma and other bodily fluids. The lipocalin class of proteins defines a group of extracellular specific-binding proteins that, collectively, exhibit extremely high structural homology, yet have an uncharacteristically low amino acid sequence identity (less than 20%), making them attractive “templates” for amino acid diversification. Lipocalins naturally bind to, store and transport a wide spectrum of molecules. The defining attributes of the 12-member human lipocalin class and, by extension, Anticalin proteins, engineered from the lipocalin class of proteins, are a four-loop variable region and a rigidly conserved beta-barrel backbone, which, together, form a cup-like binding pocket. The below graphic shows both tear (left) and NGAL (right) lipocalins together with their natural ligands.



Anticalin® proteins are created from either tear lipocalin, found in human tear fluid, or NGAL lipocalin, a protein involved in the innate immune system, by making discreet mutations in the genetic code for the binding regions. These mutations have the potential to lead to highly specific, high-affinity binding for both small and large molecular targets. Random mutations are introduced at pre-defined positions involved in endogenous ligand engagement, creating exponentially diverse pools of Anticalin proteins, the most potent and well behaved of which are selected and optimized in a customized manner through *in vitro* selection. Using techniques such as phage display, a successful technique in antibody-based drug discovery, to build and refine antibody libraries, the ability to introduce diversity and then select for the best binders among a large pool of Anticalin proteins gives us the opportunity to select Anticalin proteins for a wide variety of targets. The flexibility inherent in the Anticalin proteins’ cup-like structure allows us to choose both small-molecule targets that fit inside the ‘cup’ as well as larger protein targets that can be bound by the Anticalin proteins’ outward-facing arms. Our Phase Ib trial for PRS-050 indicated that Anticalin proteins may be non-immunogenic and thereby have the potential to exhibit a favorable safety profile.

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The below graphic demonstrates Anticalin® drug candidates binding to a small molecule (left), a small protein target (hepcidin, center) and a large protein target (CTLA4, right):



To obtain a specific Anticalin® protein, we take advantage of the breadth of our proprietary Anticalin libraries, generated through our protein engineering expertise. We have created, and will continue to create, proprietary Anticalin libraries by rationally diversifying the lipocalin regions that are responsible for ligand binding, applying different libraries to different types of targets. By utilizing bacterial production from the earliest stages of drug discovery through Current Good Manufacturing Practice, or cGMP, manufacturing, we have created a seamless platform that improves the quality, yield and cost-effectiveness of our drug candidates. However, Anticalin protein manufacturing is not limited to bacterial systems, with the underlying expression system being driven on a program-by-program basis. See “—Manufacturing” below.

As targeted, protein-based molecules, Anticalin® proteins also function similarly to monoclonal antibodies, thereby offering many of the same favorable qualities, including:

- *High specificity to their targets.* Like monoclonal antibodies, Anticalin proteins can bind their targets without binding other molecules, even molecules with very similar chemical structures or amino acid sequences, allowing for more effective treatments through, for example, minimizing off-target effects.
- *Tight binding and effective biological activity at their targets.* Like monoclonal antibodies, Anticalin proteins are able to bind their targets at subnanomolar affinities. Anticalin proteins can potentially achieve desirable biological effects by inhibiting an undesired or inducing a desired cell activity by binding to cell-surface receptors or their ligands.
- *Human origin.* Like many monoclonal antibodies in development and marketed today, Anticalin proteins are derived from a natural class of circulating human proteins. Their human origin increases the likelihood that Anticalin proteins will not be recognized as foreign by the immune system and subsequently rejected.
- *Scalability for large scale production.* Like monoclonal antibodies, Anticalin proteins lend themselves to large-scale production, yet can also be produced in a range of expression systems ranging from prokaryotic (bacterial) to eukaryotic (animal, plant, fungal) cells. Anticalin proteins can take advantage of several well-understood and widely practiced methods of protein production both in small amounts for preclinical testing and at larger scale for clinical trials and commercial production.

While often compared to monoclonal antibodies, Anticalin® proteins, we believe, offer several advantages over antibodies, including:

- *Small size and biophysical stability.* Anticalin proteins are small in size and are monomeric. Therefore, we believe Anticalins are generally more stable biophysically than tetrameric monoclonal antibodies, potentially enabling unique routes of administration to target diseases, such as pulmonary delivery. Higher-molecular-weight entities such as antibodies are often too large to be delivered effectively through these methods. We believe Anticalin proteins will also be less expensive to manufacture than antibodies due to their lower molecular weight and less bulky structure as well as the ability to use the prokaryotic-based manufacturing systems, a less costly manufacturing system than mammalian cell-based manufacturing systems.
- *Optimization of half-life.* Anticalin proteins can be engineered to have a half-life that is optimal for the indication area and a desired dosing schedule. Antibodies typically have half-lives of two weeks or longer, whereas Anticalin proteins can be engineered to have half-lives from hours to weeks, depending on the half-life extension technology employed, if any. This optionality allows us to exert greater control over the amount of circulating Anticalin protein in the blood and the amount of time such Anticalin proteins circulate in the blood, depending on the underlying biology we are trying to address.

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- Modular platform for higher-order multispecificity and avoidance of cross-linking.** Our Anticalin technology is modular, allowing for monovalent or multivalent target engagement, including multispecificity within a single protein. We believe that a monovalent “backbone” is an advantage in situations where pure antagonism of certain cellular receptors is desired. The dual-binding nature of monoclonal antibodies, which have two “arms,” can be a disadvantage in cases when the antibodies bind to and cross-link cell-surface receptors. Such cross-linking often leads to undesirable activation of the cells bearing those receptors. Single-action (monovalent) Anticalin proteins have only a single binding site and are thus not subject to cross-linking. Further, when it is called for by the biology we are addressing, we can create multispecific Anticalin proteins that can simultaneously bind (i) two or more different targets or (ii) different epitopes, the specific piece of an antigen to which an antibody binds, on the same target by genetically linking Anticalin proteins with distinct specificities on a common cDNA strand. We believe this multispecificity offers advantages in biological settings where binding to multiple targets can enhance the ability of a drug to achieve its desired effects, such as killing cancer cells. Unique Anticalin proteins can be pieced together and undergo simultaneous target engagement as a single fusion protein, without generally compromising on manufacturability.

We believe that drug-like properties of the Anticalin® drug class were demonstrated in a Phase Ib clinical trial for PRS-050 in solid tumor patients, our anti-VEGF-A Anticalin-branded drug candidate designed to inhibit blood vessel growth in solid tumors. Although we are not advancing the development of PRS-050 in oncology for strategic and business reasons, we were able to demonstrate in 26 patients with advanced solid tumors that this drug candidate engaged its target with nanomolar affinity, did not generate any detectable ADAs, and has an activity that can be confirmed by biomarker activity, target engagement assays and known on-target effects such as hypertension. In this trial, 17 patients received five or more doses of PRS-050. We believe that the positive results from the Phase Ib clinical trial for PRS-050 lends support to the future success of our drug candidates currently in development.

## Implementation of our Anticalin Platform Technology: Our Drug Candidates

### Pipeline

Each of our drug candidates is in the early stage of development, and we anticipate that it will likely be several years before any of our drug candidates could be commercialized. The following table summarizes the status of our current drug candidates and programs:

Product Candidate and Target	Indication	Stage of Development			Upcoming Milestone	Commercial Rights
		Research	Preclinical	Phase 1		
PRS-080 targeting Hcpicidin	FID, Anemia of chronic kidney disease				<ul style="list-style-type: none"> <li>Recruitment of healthy subjects into Phase I clinical study</li> <li>Data from Phase I in healthy subjects expected end 2015</li> </ul>	Pieris
PRS-060 targeting IL-4RA	Asthma				<ul style="list-style-type: none"> <li>Expect to complete preclinical phase in 2016</li> <li>Planned Phase I clinical study to begin in 2016</li> </ul>	Pieris
PRS-110 targeting cMet	Oncology				<ul style="list-style-type: none"> <li>Zydus conducting preclinical studies</li> <li>Expect to complete preclinical phase in 2016</li> </ul>	Pieris and Zydus
PRS-300 targeting checkpoint proteins	Immuno Oncology				<ul style="list-style-type: none"> <li>In preclinical phase</li> </ul>	Pieris

### PRS-080 targeting hepcidin in CKD-related FID-anemia

PRS-080 is an Anticalin® drug candidate targeting hepcidin, a peptide mediator that is an important negative regulator of iron absorption and storage, derived from the naturally occurring human lipocalin known as NGAL. The normal function of hepcidin is to maintain equilibrium in iron supply for red blood cell production by binding to ferroportin, the protein that transports iron from the inside of a cell to the outside, inducing its internalization and subsequent degradation. The binding of hepcidin to ferroportin reduces

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the iron uptake from the intestine into the body and inhibits iron mobilization from cellular stores into red blood cells. An excess amount of hepcidin can cause functional iron deficiency, or FID, which often cannot be treated adequately with iron supplements and can lead to anemia. According to a 2009 publication by Young and Zaritsky in the *Clinical Journal of the American Society of Nephrology*, lowering hepcidin levels or antagonizing its actions would reverse the negative effects of inflammation on red blood cell formation by allowing mobilization of stored iron and improved iron absorption.

PRS-080 has been designed to target hepcidin for the treatment of FID in anemic patients with CKD, particularly in end-stage renal disease patients requiring dialysis, to allow them to mobilize iron that is trapped in iron storage cells for use in the creation of red blood cells. We have also engineered PRS-080 so that following administration, it is expected to clear from the human body in less than one week, a much shorter timeframe than antibodies, which typically have a half-life of two weeks or greater. This half-life was achieved by covalently linking PRS-080 to a specific polyethylene glycol, or PEG, in order to extend the serum half-life of the combined molecule to desirable levels. Since hepcidin is constantly produced by the body, we believe that a frequent, e.g. once per week, dosing interval will be optimally suited to interfere with hepcidin function. A half-life of about three days and a shorter residence time than mAbs is then in turn more compatible with the dosing schedule. A longer mAb-like residence time is not seen as advantageous, but rather could lead to the accumulation of both the drug and the target beyond the typical residence time of hepcidin, resulting in large quantities of hepcidin bound to mAbs. We initiated a Phase I clinical trial with PRS-080 in healthy volunteers in November 2014 and expect to report the data from this trial by the end of 2015.

### *Chronic kidney disease*

According to the American Kidney Fund, approximately 31 million individuals in the United States have CKD (Stages 1-5). The proportion of CKD patients with anemia increases with the severity and stage of CKD, however according to a September 2013 competitive landscape report conducted by Tech Atlas Group, overall rates of individuals with anemia among the CKD population are approximately 30%, and according to a 2004 study by McClellan et al., *Current Medical Research and Opinion*, approximately 47% of the CKD patients studied were found to be anemic. Extrapolating these percentages based on the CKD population of 31 million individuals, we believe that approximately 9.3 to 14.6 million individuals in the United States with CKD are anemic. CKD (Stage 5), also known as End-Stage Renal Disease, or ESRD, is the final stage of chronic kidney disease with approximately 0.64 million patients in the US as of December 31, 2012 according to the U.S. Renal Data System, *USRDS 2014 Annual Data Report*. The Tech Atlas Group report also estimates that approximately 70%, or approximately 0.45 million, of CKD (Stage 5) patients suffer from anemia. Anemia related to CKD is currently treated by injectable recombinant protein erythropoiesis, or red blood cell production, stimulating agents, or rESAs—including Epogen, Aranesp, and Procrit—with iron supplementation or a red blood cell transfusion. Based on the reported revenues of companies that market and sell rESAs, we believe that global sales of injectable rESAs were \$6.3 billion in 2012, the vast majority of which were for renal indications.

### *Anemia and functional iron deficiency in the CKD population*

Anemia is a serious medical condition in which blood is deficient in red blood cells, or RBCs, and hemoglobin, leading to inadequate oxygen delivery to tissues and cells throughout the body. Anemia is generally said to exist when hemoglobin is less than 13 g/dL in men and 12 g/dL in women. Anemia has a number of potential causes, including nutritional deficiencies, iron deficiency, bone marrow disease, medications, and abnormalities in production of or sensitivity to erythropoietin, a hormone that controls red blood cell production. Anemia is a frequent and severe consequence of CKD. In addition, within the CKD population, anemia may be caused by functional iron deficiency, or FID. FID exists when, despite adequate stores, iron cannot be mobilized for erythropoiesis. In this case, despite treatment with exogenous erythropoietin and iron supplements, iron is still deficient. FID-anemic patients can be identified and selected for therapy using marketed laboratory tests for iron metabolism. The *USRDS 2014 Annual Data Report* estimates that as of 2012, approximately 409,000 individuals with ESRD are presently on hemodialysis. According to the results of a 2013 research analysis conducted for us by Artisan Healthcare Consulting, which, among other things, pooled research results from nephrologists in the United States, approximately 82% of the hemodialysis patient population are anemic, and that among the anemic hemodialysis patient population, up to 23% are FID-anemic. Based on the estimated 409,000 individuals with ESRD on hemodialysis, we believe that approximately 335,000 ESRD patients on hemodialysis are anemic and approximately 0.08 million individuals are FID-anemic.

Untreated anemia is associated with chronic fatigue, increased risk of progression of multiple diseases, and death. These morbidity and mortality risks have been clearly shown in the CKD population, where in patients age 66 and older, anemic patients with mid-stage CKD (Stage 3) have a 149% increase in cardiovascular events, and patients with severe CKD (Stage 4 and 5) have a 24% increase in cardiovascular events, in each case versus non-anemic patients in the same group, according to a paper published in 2006 in the peer-reviewed journal *Blood*. Similarly, compared to non-anemic patients, anemia increases the mortality rate by 199% in mid-stage CKD, and 59% in severe CKD. Successful treatment of anemia significantly improves patients' quality of life, especially with respect to vitality, fatigue and physical function. In addition, patients whose anemia has been successfully treated have demonstrated lower mortality rates, less frequent hospitalization, and decreases in cardiovascular morbidity.

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### *Challenges in using conventional therapy*

We believe CKD patients with FID-anemia are especially poorly served. These patients have adequate stores of iron but this iron is not efficiently incorporated into red blood cell precursors through rESAs and iron supplements. According to the 2009 publication by Young and Zaritsky in the Clinical Journal of the American Society of Nephrology, this imbalance in iron metabolism is a result of a high level of circulating hepcidin in the blood stream. We believe existing therapies are limited in that they do not have an impact on hepcidin or, in the case of rESAs, patients often become resistant to the therapy.

### *Our potential solution: binding hepcidin with PRS-080*

We have engineered PRS-080 so that it binds to hepcidin and reduces the impact of hepcidin's negative regulation on iron mobilization. We believe that by blocking the actions of hepcidin, PRS-080 will serve to address anemia by mobilizing iron for incorporation into red blood cells.

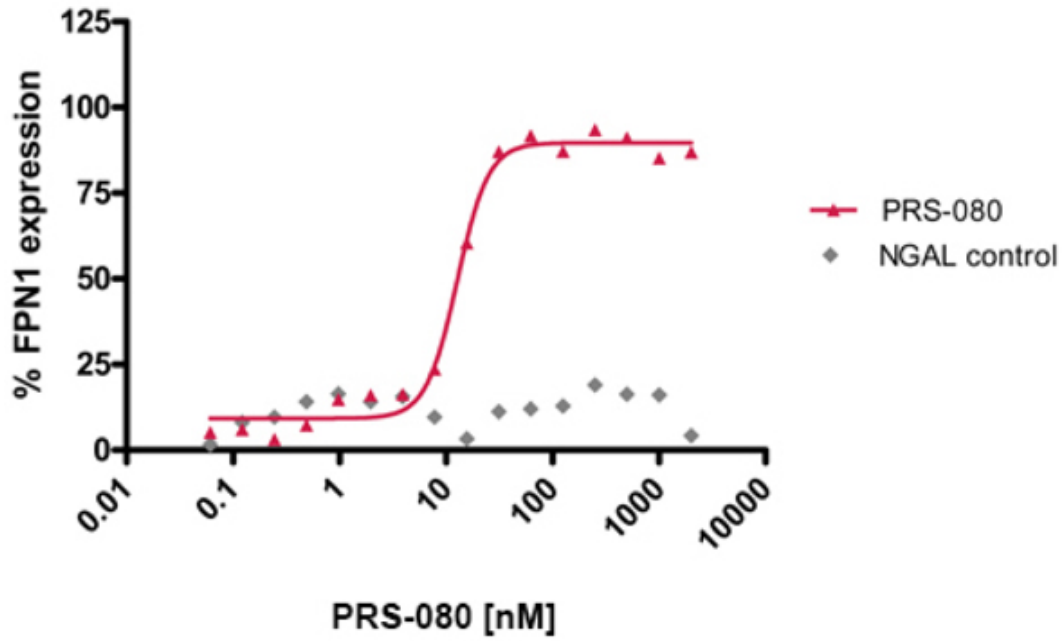
In patients suffering from anemia of CKD, and specifically in patients with FID, hepcidin is frequently produced by the body in abnormally large amounts. Therefore, we believe that the best way to inhibit its function is to administer an inhibitor frequently, such as once a week. Our approach will use PRS-080 in connection with a conjugated PEG30 molecule, a well-known half-life extender, potentially allowing the drug sufficient residence time. Once coupled to PEG30, PRS-080 is intended to have a half-life that will be optimally suited for dosing anemic patients with CKD. In contrast, antibodies typically have a half-life of two to three weeks. Such a long half-life renders antibodies unsuitable for frequent administration and elimination of a circulating target protein like hepcidin because such antibodies tend to accumulate the target after binding due to their own long residence time in the body with the associated risk of bound hepcidin being released by antibodies that are still circulating in the blood.

### *Preclinical data*

Our preclinical studies targeted the cynomolgus monkey orthologue of hepcidin, which has a high degree of similarity (96% identity) with human hepcidin. PRS-080 was found to bind with high affinity to the cynomolgus monkey version of hepcidin. We performed a dose finding study in cynomolgus monkeys, testing intravenous 30-minute infusions as well as subcutaneous injections of PRS-080. We also carried out a 4-week repeated dose toxicology study with intravenous infusions of PRS-080 for 30 minutes every other day. Our work included toxicokinetic and ADA measurements. During the study, safety pharmacology parameters on the cardiovascular system and respiration were monitored and all safety endpoints were met. Our preclinical studies also examined a different NGAL-derived Anticalin<sup>®</sup>, or surrogate molecule, which targets rat hepcidin in a rat model of inflammation-induced anemia. In these studies, administration of the surrogate molecule once per day or every other day inhibited the manifestation of anemia in the rats over the course of a three-week period.

Hepcidin binds to ferroportin and induces its internalization and subsequent degradation, thus disabling iron mobilization from cells. PRS-080 binds strongly to hepcidin and inhibits its activity as shown in potency assays. These in vitro potency studies showed that the hepcidin-induced internalization of ferroportin is inhibited by PRS-080 in a dose-dependent manner. PRS-080 allowed for the restoration of ferroportin expression, overcoming the hepcidin-induced down-regulation, whereas NGAL alone did not have a similar effect on ferroportin expression.

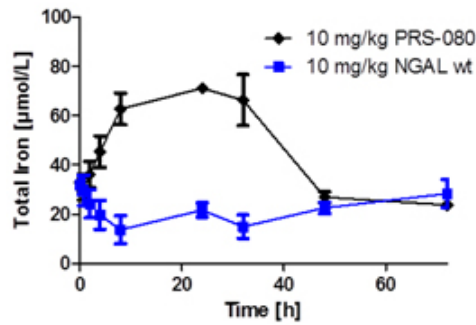
The below chart demonstrates the percentage of expression of ferroportin, % FPN1, by PRS-080 mediated inhibition of hepcidin in an in vitro potency assay with ferroportin transfected 293 cells:



**At 20 nM, hepcidin induces internalization of ferroportin which is reversed by PRS-080 in a dose dependent manner**

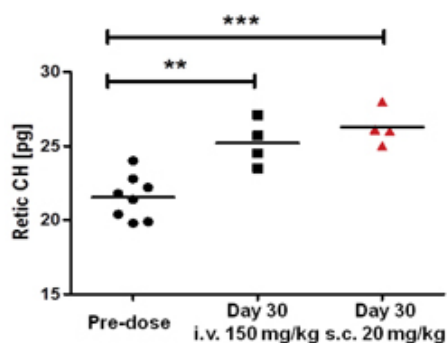
We then studied the functional consequences of hepcidin inhibition on iron mobilization in cynomolgus monkeys. A dose of 1 mg/kg PRS-080 produced a robust, transient and reversible increase in total iron levels from approximately 36  $\mu$ M at baseline to 52  $\mu$ M after 8 hours. Doses higher than 1 mg/kg elevated serum iron concentrations to comparable levels and, in a dose-dependent manner, prolonged the response. A linear correlation was observed over time between the PRS-080 dose and increase of serum iron concentrations.

The below chart shows the increase in serum iron concentrations in cynomolgus monkeys following a single intravenous administration of PRS-080 at 10 mg/kg compared to wild-type NGAL administered at the same dose:



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The expected functional consequence of PRS-080 treatment on bone marrow activity and red blood cell production, or hematopoiesis, was observed in cynomolgus monkeys following repeated administration. As shown in the below chart, administration of PRS-080 at the indicated doses either intravenously (i.v.) or subcutaneously (s.c.) elevated hemoglobin concentrations in reticulocytes (Retic CH) as determined on day 30 (\*\*:  $p < 0.005$ , \*\*\*:  $p < 0.001$ , both based on unpaired t-test).



The PK properties of PRS-080 were investigated in cynomolgus monkeys after a single administration at doses ranging from 20 mg/kg to 150 mg/kg. The concentration over time profiles of PRS-080 showed standard drug-like properties, as the kinetics were dose proportional and there was a low volume of distribution. Elimination of PRS-080 occurred with a terminal half-life of about 2 days which can be extrapolated to translate to 3 days in humans.

PRS-080 administration to cynomolgus monkeys was well tolerated up to the highest tested dose of 120 mg/kg. This dose was classified as producing no adverse events, routine laboratory tests and blood cell examinations did not demonstrate any adverse findings and safety pharmacology investigations were without adverse events. As a result of the hepcidin inhibition, the study showed increased iron uptake and storage, for example in the liver, and mobilization.

### Phase I trial design

The Phase I trial of PRS-080 is being conducted in healthy volunteers. The study is a single dose escalating, blinded, placebo controlled study at a dose range from 0.2 to 40 mg/kg (equivalent to 0.08 to 16.0 mg/kg based on protein content). Forty-eight subjects will be dosed with PRS-080 or a placebo starting by the end of 2014 and we expect to report the data findings by the end of 2015.

The first clinical trial enrolling patients is planned to be conducted primarily in 2015. We first plan to enroll CKD patients to study pharmacokinetics in a single-dose format. We plan to subsequently dose repeatedly and study the effects of PRS-080 administration on iron mobilization and erythropoiesis in CKD patients.

Based on the results of the initial trials, our current intention is to design additional trials to examine dose response and longer treatment periods. Endpoints may include levels of circulating hemoglobin, which corresponds to the degree to which anemic patients with FID respond to PRS-080. Titration of intravenous iron and rESA doses will also be implemented in future trials.

### PRS-060 targeting IL-4RA in asthma

PRS-060 is an Anticalin® drug candidate targeting IL-4RA, a cell surface receptor expressed on immune cells in the lung epithelium and mucosal layer. IL-4RA is specific to the circulating cytokines IL-4 and the closely related cytokine IL-13, both key drivers of the immune system that induce differentiation of naïve helper T cells to type 2 helper T cells, or Th2. PRS-060 is derived from human tear lipocalin, has picomolar affinity for human IL-4RA (20 pM) and has a favorable stability profile. We showed *in vitro* that PRS-060 can inhibit the activity of both IL-4 and IL-13. We have formulated PRS-060 so that it can be delivered through inhalation, and we are carrying out bioprocess optimization in preparation for Current Good Manufacturing Practice, or cGMP, manufacturing and preclinical safety and tolerability studies. Pending the results of our preclinical studies, we intend to pursue a first-in-man clinical trial for PRS-060 in 2016. Some of the development of PRS-060 is conducted in Australia, where we intend to access leading Australian pulmonologists for potential patient recruitment and to seek up to 40% or more in tax refunds from the Australian government in connection with research and development expenses related to PRS-060. We believe PRS-060 represents a first-in-class inhaled biologic for the treatment of asthma.



*Asthma market*

Asthma is a very common chronic airway disorder affecting approximately 300 million people worldwide according to the Global Initiative for Asthma and approximately 26 million Americans according to the U.S. Centers for Disease Control. Of these 26 million, about 7 million are children. Asthma is responsible for 13 million physician visits a year including about 2 million emergency visits in the United States, according to the American Lung Association. Asthma is responsible for \$50 billion in direct healthcare costs each year in the United States, according to a 2011 publication by Barnett and Nurmagambetov in the *Journal of Allergy and Clinical Immunology*.

*Challenges in using conventional therapy*

According to a 2012 Artisan Health Care Consulting analysis, as of 2011 asthma affects approximately 195 million people in the U.S., Europe, Japan, Brazil, Russia, India and China. The analysis determined that approximately 16%, or 32 million, of the group studied were considered to have moderate and severe uncontrolled asthma, while approximately 9%, or 19 million, of the group studied were considered to have moderate and severe uncontrolled asthma with an elevated Th2 signature. Extrapolating from these percentages to the global asthma population of 300 million individuals, we believe that approximately 48 million asthma sufferers worldwide are considered to have severe, persistent or uncontrolled disease and a large percentage of these patients, approximately 28 million, display inflammatory exacerbations associated with Th2 immunity. Inflammation brought about by Th2 immunity is not addressed by standard asthma therapies. Standard therapies are not able to address such patients, symptoms or they develop resistance to the inhaled steroids, currently considered the standard of care.

The current standard of care for persistent, moderate to severe allergic asthma is omalizumab (Xolair from Roche). Omalizumab was approved for this condition in the United States in 2003. Outside of the United States, omalizumab is approved for severe asthma and it is currently the only biologic approved for asthma. Omalizumab works by binding to the immune mediator immunoglobulin E, or IgE, and inhibiting IgE-mediated activation of mast cells and basophils, types of white blood cells. It has also been shown to impact some diseases, such as asthma, that are driven by eosinophils, another important class of immune cells. However, patient response to omalizumab has been shown to be inconsistent, as reported in a publication by McNicholl and Heaney in 2008 in the journal *Core Evidence*, which explained that in only some studies did omalizumab improve lung function. Furthermore, general asthma symptoms are also typically unaffected by omalizumab. Finally, in 2007, the U.S. Food and Drug Administration issued a black box warning for omalizumab due to reported cases of anaphylaxis, a potentially life-threatening allergic reaction suffered by some patients who had taken the drug. Despite these shortcomings, in 2012, worldwide sales of omalizumab were reported by Roche to be \$1.2 billion.

The next generation of therapies beyond omalizumab targets a broader range than just IgE mediated mechanisms. These approaches target other immune mediators, including IL-5, IL-4 and IL-13 (which act in concert on eosinophils, B-cells, epithelial cells, goblet cells and others) and CRTH2. Asthma is associated with high levels of eosinophils, immune cells that play a role in protecting the body against infection. The creation of eosinophils can be interrupted at the early stages, while the cells are still maturing. Multiple products are in development that target eosinophils. However, eosinophils are only one of many cell types and immune system components that are involved with the body's exaggerated inflammation response in asthma. Mast cells, basophils, goblet cells and other cells also play a role. These cells can be seen infiltrating the airways along with eosinophils, leading to the conclusion that more cell types are involved. We believe that targeting just one of these components is not likely to be as effective in resolving severe asthma as an approach that targets the broader Th2 (cell-mediated) pathway.

In 2013, Regeneron and its partner Sanofi reported proof-of-concept in a Phase IIa trial in persistent asthma with dupilumab, a currently unapproved monoclonal antibody that targets IL-4RA now in clinical development as a subcutaneously delivered agent. In a 2013 paper in the *New England Journal of Medicine*, Wenzel et al. reported that dupilumab showed a benefit on the asthma control questionnaire 5 (ACQ5) symptom score, a widely accepted measure for classifying the ability of a medication to control asthma. Patients dosed with dupilumab had fewer asthma attacks compared to placebo-treated patients when standard therapies, such as long-acting beta-agonists and inhaled glucocorticoids, were withdrawn, demonstrating the efficacy of dupilumab. Patients also showed improved lung function and reduced levels of Th2-associated inflammatory markers. Dupilumab is administered systemically through injection. In November 2014, Regeneron and Sanofi announced that in a Phase IIb study, dupilumab also demonstrated improved lung function and reduced exacerbations when administered together with standard of care. These effects were observed in both unselected severe asthma patients and selected patients presenting elevated Th2 responses. We believe the results support the possibility of treating persistent uncontrolled asthma with a biologic therapy without narrowing the patient population based on the Th2 phenotype.

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Another biologic in development for severe asthma is lebrikizumab, which blocks IL-13, a mechanism known to have a similar effect to that of dupilumab. Like dupilumab and other mediators of the Th2 pathway, lebrikizumab is a validating example for subcutaneously delivered Th2 intervention in treating uncontrolled asthmatics. In a 2011 publication in the *New England Journal of Medicine*, lebrikizumab was reported to improve lung function in severe asthma patients who were also receiving standard of care inhaled glucocorticoid therapy. At the same time, patients in the study who received lebrikizumab showed greater musculoskeletal side effects than patients receiving placebo. We believe that the ability to impact disease biology and improve lung function with biologics such as lebrikizumab is a promising result.

We believe that there could also be significant advantages to other routes of administration, such as inhalation, of biologics that target asthma through the Th2 pathway. If delivered by inhalation, such biologics could be dosed at much lower levels and may preferentially direct the therapy to the site of the disease, in this case the lung.

### *Our proposed solution: binding IL-4RA with PRS-060*

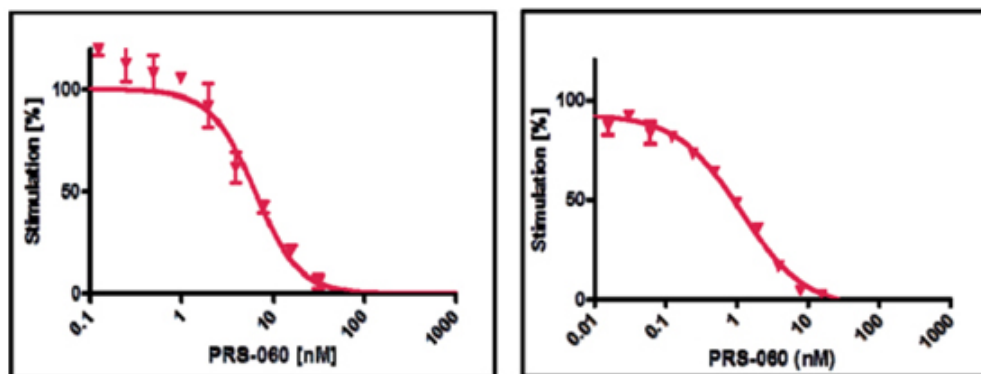
We propose to take PRS-060 forward into clinical trials first in healthy volunteers and then in severe asthma patients. These trials could accomplish two important goals: we could establish proof-of-concept for inhaled Anticalin® proteins, opening up a second route of administration for our drug candidates beyond intravenous or subcutaneous injection. And if, based on data, we are able to enter a proof-of-concept trial in these patients, we will attempt to demonstrate that PRS-060 can improve patient symptoms. We intend to begin a Phase I clinical trial for PRS-060 in 2016.

### *Advantages to inhalation as a route of administration for PRS-060*

We have performed inhalation studies in mice and observed that systemic concentrations of PRS-060 are minimal when dosed by inhalation, as a result of low doses and short systemic residence time. This offers the potential of a wider therapeutic window and possibly lower systemic side effects that may become prevalent with chronic, systemic Th2 interrogation. By our calculations, the dose of PRS-060 can be lower than the doses being used for the monoclonal antibodies dupilumab and lebrikizumab. Furthermore, we believe that PRS-060 can be produced at a lower cost of goods than monoclonal antibodies because we intend to use manufacturing procedures that employ bacterial expression systems, which generally provides a cost advantage over mammalian production systems, typically used for mAbs. Since dosing by inhalation is a common route of administration in asthma patients, it represents a more convenient dosage regimen for patients than dosing of antibodies by injection and would not need to be administered in a physician's office or other medical setting.

### *Preclinical data*

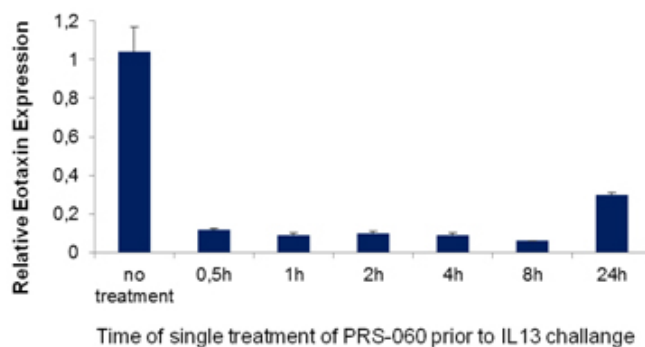
In *in vitro* assays, PRS-060 specifically bound to immobilized targets such as human IL-4RA in a concentration-dependent manner. We tested the binding of PRS-060 to various targets in enzyme-linked immunosorbent assay, or the ELISA, a standard *in vitro* assay platform. In these tests, PRS-060 bound to IL-4RA with subnanomolar affinity and it did not bind to three other human cell-surface interleukin receptors (IL-6R, IL-18RA, IL-23RA). Furthermore, the activity of IL-4 and IL-13 was inhibited by PRS-060 in a dose-dependent manner. The below charts show the inhibition of IL-4 (left) or IL-13 (right) induced proliferation in human TF-1 cells *in vitro* by PRS-060.



In *in vivo* assays in mice genetically altered to express human IL-4RA and IL-13R, PRS-060 inhibited the induction of eotaxin protein, a marker of airway inflammation, in lung tissue following pulmonary delivery. We observed this inhibition at both the RNA and protein levels compared both to buffer and to tear lipocalin.

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The below chart shows the duration of PRS-060-mediated inhibition of eotaxin protein, a marker of airway inflammation, in lung tissue by a single pulmonary dose in mice:



When we administered IL-13 into the lung, inflammation was induced as determined by eotaxin expression, which was not inhibited when phosphate buffered saline, or PBS, was administered into the lung. In contrast to the PBS administration, eotaxin expression and, as a result, inflammation was prevented when PRS-060 was administered into the lung before IL-13. As demonstrated in the above chart, the model showed the inhibitory potential lasts for up to 24 hours after PRS-060 administration.

### Pipeline products: PRS-110 in cMet-related cancer

PRS-110 is an Anticalin<sup>®</sup> protein-based antagonist of cMet that blocks both ligand-dependent and ligand-independent activity. cMet is a receptor tyrosine kinase, a well-known high-affinity cell surface receptor which is essential for embryonic development and wound healing. Hepatocyte growth factor, or HGF, is the only known ligand of the cMet receptor, and upon HGF stimulation, cMet induces several biological responses that collectively give rise to a program known as invasive growth, which can in some cases trigger cancer formation or growth. cMet has been associated with several different cancers, including renal, gastric and lung carcinomas, central nervous system tumors and sarcomas. However, abnormal cMet activity, consisting of cMet amplification or mutation through cell overexpression or interaction with other membrane proteins or receptors, can also lead to HGF-independent tumor formation. Therefore, optimal targeting of the cMet pathway requires a drug with both ligand-dependent and ligand-independent efficacy. We have shown in preclinical *in vivo* studies that PRS-110 blocks both ligand-dependent and ligand-independent activity while also being devoid of any activating (agonistic) activity, likely due to the monovalent manner in which it engages cMet. Preclinical studies have also shown that PRS-110 inhibits receptor activation and leads to receptor degradation, highlighting its novel mechanism of action and potential for the treatment of cMet-driven tumors. Moreover, inhibition of other receptor tyrosine kinases, such as Bcr-Abl in chronic myeloid leukemia, c-kit in gastrointestinal stromal tumor and HER2 in breast cancer, by targeted therapies has been shown to have a significant clinical impact. Therefore, receptor tyrosine kinases targets such as cMet are currently a focus for drug discovery efforts in order to try to identify specific inhibitors. In October 2013, we entered into a development and license agreement with Zydus for the preclinical development of PRS-110, pursuant to which we share certain commercial rights to PRS-110. For more information about the Zydus agreement, see “—Strategic Partnerships”.

Several experimental drugs targeting various aspects of the cMet pathway, including both small molecule drugs and biologics, have shown tumor growth inhibition or tumor regression in preclinical models using human tissue transplanted into mice and are currently undergoing clinical evaluation. To date, small molecule receptor tyrosine kinase inhibitors have been hampered by lack of specificity for the cMet target. It has also proven difficult to generate antibodies that are completely inhibitory against the cMet receptor because the antibody structures themselves can lead to pathological activation of the receptors. There are several bivalent antibodies targeting cMet receptors that are undergoing preclinical or early clinical evaluation, but these bivalent antibodies can contribute to this pathological activation, thereby creating a potential safety risk. By contrast, in our *in vitro* studies, PRS-110 inhibits receptor activation and leads to receptor degradation, pointing to its potential to treat tumors linked to the cMet pathway based on what we believe to be its novel mechanism of action.

### **Pipeline products: 300 Series**

Current antibody-based therapies targeting tumor cell destruction or immune activation are hampered by, among other factors, low response rates and the induction of immune-related adverse events. The 300-Series Anticalin<sup>®</sup> proteins are designed to target checkpoint proteins and consist of a variety of multifunctional biotherapeutics that can combine antibodies with Anticalin proteins. These combined molecules have the potential to build upon current therapies through the capability of modifying or regulating one or more immune functions on a single fusion protein, thereby having the potential to elevate immune responses within a tumor microenvironment. First, the antibody component of this Anticalin protein construct will be able to directly attack tumor cells, causing signal attenuation, tumor debulking and, as a result, antigen presentation. Second, we believe that a tethered Anticalin protein directed at checkpoint proteins can preferentially activate the immune system at the site of the tumor microenvironment. We believe that the 300-Series Anticalin proteins represent a “platform within a product” opportunity in immuno-oncology since it may be possible to apply a single combined Anticalin-antibody molecule in a number of different cancers. This is based on the shared underlying biology such as checkpoint biology found within tumors arising in different organs.

This platform is modular, which we believe will permit rapid evaluation of unique combinations of validated tumor targets and immunomodulatory checkpoint proteins. For example, one panel of 300-Series Anticalin<sup>®</sup> proteins, currently being evaluated in the preclinical stage of experiments, is directed with specificity and subnanomolar affinity against CTLA4, a protein receptor that downregulates the immune system and which is found on the surface of T cells, regulating T cells at their stage of initial activation, in effect turning “off” the attacking nature of the T cells. In addition, we will test the potential of antagonizing other checkpoint proteins and evaluate the direct activation of immune responses through co-stimulatory molecules, or checkpoint activators. These latter studies are currently in the research phase.

### **Competition**

The pharmaceutical and biotechnology industries are characterized by rapidly advancing technologies, intense competition and a strong emphasis on proprietary products. While we believe that our technology, development experience, scientific knowledge and strategies provide us with competitive advantages, we face and will continue to face intense competition from many different sources, including major pharmaceutical, specialty pharmaceutical and biotechnology companies, academic institutions and governmental agencies and public and private research institutions, both in the United States and abroad.

We compete, or will compete, with existing and new therapies that may become available in the future. Some of these competitors are pursuing the development of pharmaceuticals that target the same diseases and conditions that our drug candidates target. Any drug candidates that we are able to develop and commercialize will compete with existing and new drugs being developed by our competitors. Our competitors may develop or market products or other novel technologies that are more effective, safer, more convenient or less costly than any that may be commercialized by us, or may obtain regulatory approval for their products more rapidly than we may obtain approval for ours.

The acquisition or licensing of pharmaceutical products is also very competitive, and a number of more established companies, some of which have acknowledged strategies to license or acquire products and many of which are bigger than us and have more institutional experience and greater cash flows than we have, may have competitive advantages over us, as may other emerging companies taking similar or different approaches to product licenses and/or acquisitions. In addition, a number of established research-based pharmaceutical and biotechnology companies may acquire products in late stages of development to augment their internal product lines, which may provide those companies with an even greater competitive advantage.

There are a number of other companies presently working to develop therapies for anemia, asthma and oncology, including divisions of large pharmaceutical companies and biotechnology companies of various sizes. There are also a variety of available drug therapies marketed for these diseases. Our drug candidates, if any are approved, may compete with these existing drug and other therapies, and to the extent they are ultimately used in combination with or as an adjunct to these therapies, our drug candidates may not be competitive with them. Some of the currently approved drug therapies are branded and subject to patent protection, and others are available on a generic basis. Many of these approved drugs are well established therapies and are widely accepted by physicians, patients and third-party payors. As a result, market acceptance of, and a significant share of the market for, any of our drug candidates that we successfully introduce to the market will pose challenges.

In addition to currently marketed therapies, there are also a number of medicines in clinical development to treat anemia, asthma or cancer. These medicines in development may provide efficacy, safety, convenience and other benefits that are not provided by currently marketed therapies and may not be provided by any of our current or future product candidates. As a result, they may provide significant competition for any of our product candidates.

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Many of our competitors will have substantially greater financial, technical and human resources than we have. Additional mergers and acquisitions in the pharmaceutical industry may result in even more resources being concentrated in some of our competitors. Competition may increase further as a result of advances made in the commercial applicability of technologies and greater availability of capital for investment in these fields. Our success will be based in part on our ability to build, obtain regulatory approval for and market acceptance of, and actively manage a portfolio of drugs that addresses unmet medical needs and creates value in patient therapy.

In addition, our competitors may have a variety of drugs in development or awaiting market approval that could reach the market and become established before we have a product to sell. Our competitors may also develop alternative therapies that could further limit the market for any drugs that we may develop. Many of our competitors are using technologies or methods different or similar to ours to identify and validate drug targets and to discover novel small molecule drugs. Many of our competitors and their collaborators have significantly greater experience than we do in the following:

- identifying and validating targets;
- screening compounds against targets;
- preclinical and clinical trials of potential pharmaceutical products; and
- obtaining regulatory clearances.

In addition, many of our competitors and their collaborators have substantially greater advantages in the following areas:

- capital resources;
- research and development resources;
- manufacturing capabilities; and
- sales and marketing.

Smaller companies also may prove to be significant competitors, particularly through proprietary research discoveries and collaborative arrangements with large pharmaceutical and established biotechnology companies. Many of our competitors have products that have been approved by the FDA or its foreign counterparts or are in advanced development. We face competition from other companies, academic institutions, governmental agencies and other public and private research organizations for collaborative arrangements with pharmaceutical and biotechnology companies, in recruiting and retaining highly qualified scientific and management personnel and for licenses to additional technologies. Developments by others may render our product candidates or our technologies obsolete. Our failure to compete effectively could have a material adverse effect on our business.

### *PRS-080*

Other drug candidates in development that interfere with hepcidin function or expression include ISIS/Xenon (anti-sense) and Alnylam (RNAi), which have nucleic acid based approaches aimed at reducing hepcidin synthesis in preclinical development. Noxxon's RNA aptamer sequesters hepcidin and is in clinical studies in cancer patients. A mAb against hepcidin is tested in cancer as well as chronic kidney disease patients by Lilly as well as a mAb against the ferroportin transporter. Ferrumax develops a soluble form of hemojuvelin, a protein that regulates hepcidin expression and iron metabolism, that aims to suppress the production rate of hepcidin.

There are also a number of companies which are focused on treating anemia in CKD patients under alternative approaches. Fibrogen, Akebia Therapeutics, GSK, Bayer, and Japan Tobacco have hypoxia-inducible-factor prolyl hydroxylase (HIF-PH) inhibitors in clinical development that target stimulation of bone marrow activity. Acceleron is also targeting the sequestration of Activin A, a natural inhibitor of hematopoiesis, is in a Phase II clinical study. Zenerex by Keryx, which targets formulation of oral iron, is currently been tested in Phase II in CKD patients. There are also various companies conducting late-stage development of erythropoietin biosimilars.

### *PRS-060*

Like PRS-060, new developments for the treatment of uncontrolled moderate to severe asthma patients mainly include drug candidates targeting the Th2 pathway by interfering with IL4/IL-13 or IL-5 function. Such products include dupilumab (Sanofi/Regeneron, IL-4RA), lebrikizumab (Roche/Genentech, IL-13), tralokinumab (Astra Zeneca, IL-13), mepolizumab (GSK, IL-5), reslizumab (Teva, IL-5), and benralizumab (Astra Zeneca, IL-5R). These drugs are in later clinical development (Phase II and Phase III) than PRS-060, or were submitted for approval (mepolizumab), however in contrast to PRS-060, these mAbs are given to patients through injection and distribute systemically through the blood stream. There are a number of other companies presently marketing or developing other therapies for asthmatic patients. The mAb omalizumab, directed against IgE, is approved for the treatment of uncontrolled, moderate to severe asthma patients.

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### *PRS-110*

Competitor drug candidates targeting the cMet pathway include MetMab (Roche/Genentech), LY2875359 (Eli Lilly), ABT700 (Abbvie) and earlier stage candidates by other companies. MetMab is a monovalent cMet binder, or a one-armed antibody, and has shown efficacy in cMet-high patients (IHC 2+, 3+) in a Phase II trial in non-small-cell lung carcinoma, or NSCLC, patients. However, one Phase III study of MetMab in combination with Erlotinib in NSCLC patients was recently terminated due to lack of a survival benefit, which has led to the decision by Roche to suspend the program. LY2875359 by Eli Lilly and ABT700 by Abbvie are bivalent mAbs against cMet currently in Phase I/II clinical testing. Both mAbs have demonstrated efficacy in Phase I trials.

Several small molecule inhibitors are also undergoing clinical evaluation, including multi-targeted tyrosine kinase inhibitors from ArQule (ARQ197) and Exelixis (XL-184 & XL-880). Crizotinib by Pfizer is an FDA approved small molecule inhibitor, which targets anaplastic lymphoma kinase, or ALK, a protein implicated in certain cancers, and which also has anti-cMet activity. In 2011, Crizotinib was approved for treatment of metastatic NSCLC patients who express ALK fusion proteins. PRS-110 and other cMet-targeting drugs also compete with HGF inhibitors. The monoclonal antibody AMG102 by Amgen is the most advanced HGF-targeting molecule in clinical trials. AV299 by Aveo is another HGF-targeting antibody in clinical development.

### *PRS-300 series*

Other drug candidates which target checkpoint proteins include ipilimumab, which is specific for the checkpoint protein CTLA-4 and has been marketed by Bristol Myers Squibb for the treatment of melanoma patients since 2011. Additionally, preclinical and/or clinical testing currently focusing on additional checkpoint mechanisms and targets include PD-1 / PD-L1, LAG3, IDO, TIM3, Ox-40, CD-137, CD70, KIR and NKG2A. Bristol Myers Squibb and Roche are most active in this area, with multiple single agent or combination therapy trials ongoing. Merck and AstraZeneca also have active trials ongoing, while Novartis is placing more of an emphasis on adoptive T cell transfer technology in its developmental efforts. In September 2014, Merck received FDA approval for its anti- PD-1 antibody, pembrolizumab, for the treatment of patients with advanced or inoperable melanoma.

Under the 300-Series, we are also developing multispecific molecules to facilitate the more effective activation of the immune system, with a strategy of employing multispecific Anticalin® protein-based molecules that may favorably bias an immune response to the tumor microenvironment. A number of other companies, such as Amgen, Affimed, MacroGenics, F-Star and Sutro, also pursue multispecific approaches in oncology, which therapies are in clinical or preclinical development.

## **Manufacturing**

We do not own or operate, and currently have no plans to establish, any manufacturing facilities. We currently rely, and expect to continue to rely, on third-party contract manufacturers, or CMOs, for the manufacture of our drug candidates for larger scale preclinical and clinical testing, as well as for commercial quantities of any drug candidates that are approved.

We currently rely on one CMO for all of our clinical supplies, including active pharmaceutical ingredients, or APIs, drug substances and finished drug products for our preclinical research and clinical trials, including the Phase I trial for PRS-080.

We believe that we will be able to contract with another CMO to obtain API if our existing source of API was no longer available or sufficient, but there is no assurance that API would be available from another third-party manufacturer on acceptable terms, on the timeframe that our business would require, or at all. We do not have long-term supply commitments or other arrangements in place with our existing CMO. We also do not currently have arrangements in place for redundant supply of bulk drug substance.

We do not have any current contractual relationships for the manufacture of commercial supplies of any of our drug candidates if they are approved, and we intend to enter into agreements with a third-party contract manufacturer and one or more back-up manufacturers for the commercial production of our product candidates as they near potential approval.

Any drug products to be used in clinical trials and any approved product that we may commercialize will need to be manufactured in facilities, and by processes, that comply with FDA's current good manufacturing practice requirements and comparable requirements of the regulatory agencies of other jurisdictions in which we are seeking approval. We currently employ internal resources to manage our manufacturing contractors.

We believe that PRS-080 and PRS-060 and our other Anticalin®-branded drug candidates can be manufactured in reliable and reproducible biologic processes from readily available starting materials. PRS-080 and PRS-060 are produced using bacterial expression systems similar to those that have been used in the past for the production of other proteins and which systems are widely



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used in the industry. We believe that the manufacturing process is amenable to scale-up and will not require unusual or expensive equipment. We expect to continue to develop, on our own or with our collaborators, drug candidates that can be produced cost-effectively at contract manufacturing facilities.

### **Intellectual Property and Exclusivity**

Our commercial success depends in part on our ability to obtain and maintain exclusivity of our proprietary Anticalin®-brand technologies through intellectual property protection for our drug candidates, libraries of different protein scaffolds and consensus sequences and the fundamental Anticalin platform technology, including novel therapeutic and diagnostic discoveries, as well as other proprietary know-how, and to operate without infringing on the intellectual property rights of others.

We seek to protect our exclusive position of Anticalin® technologies by, among other means, prosecuting our own international, U.S. and foreign patent applications related to our proprietary technology, inventions and improvements that are important to the development and implementation of our business. We established intellectual property protection in relation to our Anticalin technologies in key global markets, including Australia, Brazil, Canada, China, the European Union, Hong Kong, India, Japan, Korea, New Zealand, Russia, Singapore, South Africa and the United States, resulting in Anticalin drug class protection that runs until at least 2020. We also rely on trade secrets for confidential know-how, which we generally seek to protect through contractual (e.g. confidentiality) obligations with employees and third parties.

We have protected the goodwill of our Company and our drug candidates, created through innovation and development, by putting in place trademark registrations of Pieris® and Anticalin® as well as several defensive registrations.

We currently, and expect that we will continue to, file patent applications and maintain granted patents directed to our key drug candidates in an effort to establish intellectual property positions relating to new compositions of matter for these drug candidates, as well as novel medical applications of these compounds in the treatment, prevention or diagnosis of various indications. We also intend to seek patent protection, if available, with respect to biomarkers that may contribute to selecting the right patient population for use of any of our drug candidates, or with respect to pharmaceutical formulations that may be useful to produce final medicinal products.

Following the effective date of our Research and Licensing Agreement with Technische Universität München, or TUM (See “—TUM License Agreement”), and as of the date of this report, we own or are the exclusive licensee of a patent portfolio consisting of two issued U.S. patents, and their respective counterparts in a number of foreign jurisdictions, several pending applications under the Patent Cooperation Treaty, multiple pending U.S. patent applications and corresponding pending patent applications in a number of foreign jurisdictions as well as three pending provisional patent applications.

In applicable jurisdictions, we will seek patent term extensions for certain of our patents including the patent term adjustment period in the U.S. If we obtain marketing approval for our drug candidates in the United States or in certain jurisdictions outside of the United States, we may be eligible for regulatory protection, such as twelve years of data exclusivity for new biological entities in the United States and as mentioned below, up to five years of patent term extension potentially available in the United States under the Hatch-Waxman Act, 8 to 11 years of data and marketing exclusivity potentially available for new drugs in the European Union, up to five years of patent extension in Europe (Supplemental Protection Certificate), and eight years of data exclusivity potentially available in Japan. There can be no assurance that we will qualify for any such regulatory exclusivity, or that any such exclusivity will prevent competitors from seeking approval solely on the basis of their own studies. See “—Government Regulation.”

Among the issued patents we own are U.S. patent No. 7,250,297; U.S. patent No. 7,723,476; U.S. patent No. 8,158,753; U.S. patent No. 8,536,307; and their respective counterparts in the European Union, which patents are directed to the basic Anticalin® protein concept and platform technology (i.e. antagonist or agonist compounds derived from a natural lipocalin protein) and are expected to expire in 2018, subject to patent term adjustments in the U.S. of up to 794 days. In addition, we hold issued U.S. patents Nos.: 7,001,882; 7,118,915; 7,691,970; 7,585,940; 7,893,208; and 8,313,924; and their respective counterparts in a number of foreign jurisdictions, which patents are related to libraries of different scaffolds and consensus sequences such as human apolipoprotein D, human neutrophil gelatinase-associated lipocalin, or hNGAL, and human tear lipocalin, and are expected to expire between 2020 and 2027, subject to patent term adjustments in the U.S. of up to 685 days. We also own U.S. patent No. 7,892,827, which is directed to muteins derived from hNGAL having binding specificity for the cytotoxic T lymphocyte-associated antigen, or CTLA-4, and is expected to expire in 2025, subject to a 350-day patent term adjustments in the U.S., and U.S. patent No. 8,313,924, which is directed to muteins of human tear lipocalin having detectable binding affinity to interleukin 4 receptor alpha chain, or IL-4 receptor alpha, and is expected to expire in 2027, subject to a 424 day patent term adjustment in the U.S., as well as their counterparts in the European Union and in a number of foreign jurisdictions.



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As of the date of this report, a significant portion of our pending U.S. patent applications and pending patent applications in foreign jurisdictions is directed to newly-discovered or improved scaffold libraries of lipocalin muteins, compounds derived therefrom, or the uses of such compounds to treat, prevent and mitigate certain diseases and conditions whose pathological development involve the targets of interest as well as to diagnose, prognose and select treatments for the diseases and conditions. We would expect that any patents that may issue from the pending U.S. patent applications would likely expire between 2029 and 2035 without taking into account possible patent term adjustments or other extensions, however, any and all of these patent applications may not result in issued patents, and not all issued patents may be maintained in force for their entire term. Specifically, granted patents and pending patent applications directed to Anticalin<sup>®</sup> proteins for the cMet target currently have terms which could expire as late as 2029, and granted patents and pending patent applications directed to Anticalin proteins for each of hepcidin and IL-4RA currently have terms which could expire as late as 2031. We are actively pursuing intellectual property protection for our 300-Series in key global markets that, if granted, could expire as late as 2035. To date, we are not aware of any third party intellectual property for freedom to operate on our platforms or therapeutic programs.

In addition to patents, we hold two trademarks in the United States, for Anticalin<sup>®</sup>, Pieris<sup>®</sup>, and Pocket Binding<sup>™</sup>. Similarly, we hold their respective counterparts, either as registered trademarks or as pending applications, in a number of foreign jurisdictions. We expect that we will continue to look for trademark protection for the goodwill associated with our Company and our drug candidates in the countries or regions where we will have investment, research and development, sales or other activities.

We also rely upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain our competitive advantage. We strive to protect our proprietary information, in part, by using confidentiality agreements and/or invention assignment agreements with our collaborators, scientific advisors, employees and consultants. The confidentiality agreements are designed to protect our proprietary information and, in the case of agreements requiring invention assignment, to grant us ownership of technologies that are developed through a relationship with a third-party. We also actively manage our publication and patent applications in that we only disclose information necessary to stir scientific interest or demonstrate patentability without materially compromising the secrecy of our valuable trade secrets and know-how. While we consider trade secrets and know-how to be a critical component of our intellectual property, trade secrets and know-how can be difficult to protect. In particular, with respect to our technology platform, we anticipate that these trade secrets and know-how will over the course of time be disseminated within the industry through independent development, the publication of journal articles describing the methodology and the movement of personnel skilled in the technology from academic to industry positions and vice versa. As a result, those proprietary trade secrets and know-how may lose their value to us over a period of time, and we may lose any competitive advantage afforded by them as they become public knowledge.

### **Strategic Partnerships**

Since 2007, Pieris Operating has entered into several licensing, research and development collaborations to complement our drug discovery and early stage development capabilities. Specifically, Pieris Operating has entered into licensing, research and development agreements which are still active as of the date of this report, with Allergan, Inc., or Allergan, Sanofi Group (formerly Sanofi-Aventis and Sanofi-Pasteur SA) and collectively, Sanofi, and Daiichi Sankyo. Under these licensing and research and development arrangements, we have developed and conducted or will develop and conduct selection and screening of drug candidates as well as *in vitro* potency and efficacy testing using our Anticalin<sup>®</sup>-brand drug discovery platform, our Anticalin-brand libraries and other proprietary methods to generate, identify and characterize drug candidates against certain biological targets associated with several diseases. These agreements have provided us with approximately €31 million (\$42.7 million) in revenue to date, excluding grant revenues. With respect to discontinued collaborations, we have no ongoing performance obligations, and do not expect to receive any significant additional consideration pursuant to those agreements.

Pieris Operating's agreements with Allergan, Sanofi and Daiichi Sankyo are ongoing and, under which, our partners are obligated to use commercially reasonable efforts to develop and commercialize drug candidates identified in the course of the collaboration. We are entitled to receive from our partners' research, development and regulatory milestone payments and, in the case of the Sanofi and Daiichi Sankyo collaborations, royalties on net sales for products developed and commercialized under these collaborations. We plan to continue to actively seek out additional collaboration partners.

In addition to Pieris Operating's agreements with Allergan, Sanofi and Daiichi Sankyo, we are partnering with companies with expertise in clinical development, regulatory affairs and biologics manufacturing to advance our pipeline products through clinical trials and to market those products. In 2013, Pieris Operating entered into a co-development alliance with Cadila Healthcare Limited, or Zydus, with respect to the development and sale of certain proprietary products, under which Zydus will focus on developing markets and we will focus on developed markets. Pieris Operating has also entered into a joint development and license agreement with Stelis, establishing a collaboration for clinical development and commercialization of certain of our proprietary products, focusing initially on use in ophthalmological applications.

Certain terms and conditions of our active agreements with Allergan, Sanofi and Daiichi Sankyo are summarized below as well as certain terms and conditions of our co-development agreements with Zydus and Stelis.

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### *Our agreement with Allergan*

In August 2009, Pieris Operating entered into an agreement with Allergan, Inc. (NYSE: AGN) for the use of our proprietary Anticalin® technologies in the discovery and development of drug candidates which inhibit a selected target. Under the terms of the agreement, we provided drug candidates for the treatment of ocular diseases, and Allergan is responsible for the further development and commercialization of products based on those candidates and bearing related costs. We have granted Allergan a worldwide and exclusive license under our patent portfolio for the use of certain drug candidates for the treatment and prevention of ocular diseases.

Upon entering into the agreement, we received a payment of \$10 million. We are entitled to receive up to an aggregate of \$13 million in additional payments on achieving various milestones. We are not entitled to any royalties from sales of products commercialized under our agreement with Allergan. During the term of the agreement and as long as Allergan commercializes the drug candidates designated under the agreement, we may not grant rights to any third party with respect to any drug candidates that inhibit the same target within the field licensed to Allergan.

Either party may terminate the agreement in the event of the other party's material breach of the agreement remains uncured for a specified period or in the event of the bankruptcy of the other party. Allergan has the unilateral right to terminate the agreement upon specified prior written notice to us. On termination, all rights granted to Allergan in our Anticalin® technologies would end.

### *Our collaboration with Sanofi*

In September 2010, Pieris Operating entered into a collaboration and license agreement with Sanofi, which was subsequently amended in February 2013. Under the terms of the agreement, we have agreed to use our proprietary Anticalin® technologies to identify drug candidates against certain targets, with further development and commercialization activities conducted by Sanofi. The collaboration started with two targets under two separate collaboration projects and was extended by an additional multispecific Anticalin program in 2013. When we entered the collaboration we granted Sanofi an exclusive worldwide license to develop drug candidates identified in the course of the collaboration and market products based on those drug candidates under the collaboration.

In consideration of our obligations, as a part of the collaboration we received a €3.5 million (\$4.8 million) upfront payment and specified research funding. We also are entitled to receive payments on the achievement of research, development and commercial milestones for each product, with up to €26.0 million (\$35.8 million) in development milestones and up to €18 million (\$24.8 million) in commercial milestones for the first therapeutic application and lesser amounts on subsequent therapeutic applications. We have the ability to receive over €50 million (\$68.9 million) potential milestone payments from the active collaboration project, including estimated milestone payments in connection with one or more subsequent applications. Payments due to us also include tiered mid-to mid-high single digit royalties on sales of products. We have agreed that we will not use our Anticalin® technologies to perform, on our own behalf or for third parties, any research or development activities on the same target to which any active program relates.

During the term of the agreement, Sanofi may terminate any or all programs thereunder for convenience by giving specified prior written notice to us. Either party may also terminate the agreement for a material breach by the other party which remains uncured after specified advance notice of such breach or for the other party's insolvency. If a program or the agreement is terminated by Sanofi, rights in products and developed technology resulting from the terminated program (including the right to grant sublicenses) revert or are transferred to us. If a program is terminated prior to the development of the product by Sanofi, our right to commercialize that product is royalty-free. Otherwise, we would owe to Sanofi royalties in the single digits as a percentage of net sales on such product sold by us or our licensee, with total royalty payments capped at a certain amount, and with the royalty rate dependent on the maturity of the program at the time of termination. Sanofi has terminated two of the three programs (one program was terminated for internal strategic reasons and the other program was terminated following *in vivo* studies, as *in vitro* functionality did not fully translate into *in vivo* functionality for this first in class program), and we have the right to develop and commercialize drug candidates of the terminated programs on a royalty-free basis. The remaining active collaboration project was handed over to Sanofi for further development in the fourth quarter of 2014.

### *Our collaboration with Daiichi Sankyo*

In May 2011, Pieris Operating entered into a definitive collaboration research and technology licensing agreement with Daiichi Sankyo, under which we agreed to use our proprietary Anticalin® scaffold technologies to discover novel drug candidates against two targets chosen by Daiichi Sankyo under two separate collaboration projects. Upon achievement of preclinical development milestones for lead drug candidates, Daiichi Sankyo assumes responsibility for, and to use commercially reasonable efforts in, the further development and marketing of products based on those candidates. As of the date of this report, we have handed over further development responsibility for the two collaboration projects to Daiichi Sankyo, which handovers occurred in March 2013 and June 2014.

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We received €7.2 million (\$9.9 million) upon signing of the collaboration agreement, excluding a 10% Japanese withholding tax, and received research funding. We are entitled to payment on the achievement of research and development milestones of up to €35.85 million (\$49.4 million) for the first prophylactic or therapeutic product, with reduced amounts for achievement of those milestones in additional indications. We are also entitled to payment of commercialization milestones of up to €45 million (\$62.0 million) for a prophylactic or therapeutic product. On development and commercialization of a diagnostic product, we are entitled to development and commercialization milestones of up to €675,000 (\$930,083). We have the ability to receive up to approximately €200 million (\$275,580,000) in potential milestone payments from the two collaboration projects, including estimated milestone payments in connection with one or more additional indications. Daiichi Sankyo is further obliged to pay to us tiered, mid- to mid-high single digit royalties on sales of products for prophylactic and therapeutic uses and low single digits on sales of products for diagnostic uses. We granted Daiichi Sankyo exclusive license rights worldwide for prophylactic and therapeutic products, and nonexclusive rights for diagnostic uses. During the collaboration, we may not use our Anticalin® technologies in research or commercial activities on the designated targets for our own account or with third parties.

Daiichi Sankyo may terminate any program under the collaboration after a certain research stage for convenience by giving specified prior written notice to us. Either party may also terminate the agreement for a material breach by the other party which remains uncured after specified advance notice of such breach or for the other party's insolvency. If a program is terminated, rights in products and developed technology resulting from the terminated program (including the right to grant sublicenses) revert or are transferred to us. If a program is terminated by us because of a material breach by Daiichi Sankyo, our sale of products resulting from the program is royalty-free. If a program is terminated by us because of Daiichi Sankyo's failure to meet diligence obligations or by Daiichi Sankyo for convenience, we will be required to pay to Daiichi Sankyo royalties on sale of products resulting from the program in the low single digits as a percentage of net sales up to a specified aggregate royalty amount.

### *Our collaboration with Zydus*

In October 2013, Pieris Operating entered into a development and license agreement with Zydus. Under the terms of the agreement, we collaborate with Zydus in the development of certain Anticalin® drug candidates, and Zydus takes the lead in advancing those products through preclinical and clinical proof of concept development and is responsible for its expenses relating to that advancement, which include drug manufacturing. Zydus has been granted exclusive rights to commercialize these products in India and several other developing countries. We retain the right to commercialize these products in key developed markets. We and Zydus have cross-licensed our respective rights in new inventions derived during the collaboration for these products in these territories.

Under the terms of the collaboration, we would be entitled to a payment on achievement of a certain development milestone in the Zydus territory, and a low-to mid-single digit royalty on product sales. We would also be entitled to a share of Zydus' revenue from a sublicense of its rights in the product. We are obliged on the occurrence of a product's achieving certain development milestones in our territory to make payments to Zydus, and to pay low-single digit royalties on product sales. We also are obliged to share with Zydus a percentage of our revenue received from out-licensing rights in the product in our territory, which percentage varies based on the stage of development of the product at the time of out-licensing, should we choose to out-license the product. Upon completion of a certain stage of clinical development, either party may choose to discontinue development, in which case the other party would have the right to continue development and its payment obligations to the discontinuing party would be reduced. During the term of the agreement, we may not sell a product, or enable a third party to sell a product, that is the subject of the collaboration in the Zydus territory for use in the treatment, palliation or prevention of certain diseases in humans.

Either party may also terminate the agreement for a material breach by the other party which remains uncured after specified advance notice of such breach, the other party's insolvency, or where the parties conclude that clinical data do not support further development.

### *Our collaboration with Stelis*

In November 2013, Pieris Operating entered into a joint development and license agreement with Stelis. Under the terms of the agreement, we collaborate with Stelis in the development of certain Anticalin® drug candidates, initially for use in the treatment, palliation or prevention of ophthalmology-related diseases. Under the terms of the agreement, we contribute certain proprietary assets to the development project, and Stelis agrees to establish a production process for preclinical and clinical supplies of product at its expense and to perform and fund certain preclinical studies and a first-in-human clinical study for each product under joint development at the expense of Stelis. We agreed that upon reaching certain development stages for a product, we and Stelis would discuss the possible formation of a joint venture with approximately equal shareholding between Pieris Operating and Stelis to further develop and commercialize such product worldwide. If a party does not wish to enter into a joint venture, the other party may continue development and commercialization of a product, subject to terms and conditions to be established by a separate agreement.

Prior to the formation of the joint venture, either party may also terminate the agreement for a material breach by the other party which remains uncured after specified advance notice of such breach, or for the other party's insolvency.

## **TUM License Agreement**

On July 4, 2003, Pieris Operating entered into a Research and Licensing agreement with TUM, which was subsequently renewed and, on July 26, 2007, superseded and replaced. The agreement establishes a joint research effort led by Prof. Arne Skerra, Chair of Biological Chemistry of TUM, to optimize Anticalin® technologies for use in therapeutic, prophylactic and diagnostic applications and as research reagents, and to gain fundamental insights in lipocalin scaffolds. We provided certain funding for TUM research efforts performed under the agreement. The research phase of this collaboration ended on February 28, 2013.

Under the terms of the agreement TUM assigns to us certain materials and records resulting from the research. We retain rights to inventions made by our employees, and TUM assigns to us all inventions made under the agreement jointly by our employees and TUM personnel, provided that our employees have made a certain inventive contribution. With respect to all other inventions made in the course of the research, TUM grants to us worldwide exclusive license rights under patents and patent applications claiming such inventions. TUM retains rights to practice these inventions for research and teaching purposes.

As a result of research efforts to date under the agreement, we hold a worldwide exclusive license under our license agreement with TUM to multiple patents and patent applications. In the United States, we hold an exclusive license to an issued U.S. patent No. 8,598,317 for the composition of matter of mutein of human tear lipocalin binding to the extracellular region of the T-cell co-receptor CD4 with detectable affinity, which patent will expire in 2027 (subject to a patent term adjustment period which is expected to be at least 742 days), as well as to its counterpart in the European Union. We also hold an exclusive license to an issued U.S. patent No. 8,420,051 directed to library of hNGAL scaffold of certain consensus sequence, which patent is expected to expire in 2029 (subject to a patent term adjustment period of 109 days), as well as to its counterparts in the European Union and in a number of foreign jurisdictions. We bear the costs of filing, prosecution and maintenance of patents assigned or licensed to us under the agreement.

As consideration for the assignments and licenses we are obliged to pay to TUM milestone payments on development of our proprietary products claimed by patents assigned or licensed to us by TUM. We also are obliged to pay low single digit royalties, including annual minimum royalties, on sales of such products. Should we grant licenses or sublicenses to those patents to third parties, we are obliged to share a percentage or resulting revenue with TUM. Our payment obligations are reduced by our proportionate contribution to a joint invention. Payment obligations terminate on expiration or annulment of the last patent covered by the agreement.

We can terminate the licenses to any or all licensed patents upon specified advance notice to TUM. TUM may terminate the license provisions of the agreement only for cause. Termination of the agreement does not terminate our rights in patents assigned to us.

Upon initiation of the Phase I clinical trial of PRS-080 in November 2014, our obligation to pay TUM a milestone payment pursuant to the terms of the TUM License Agreement was triggered.

We are also currently in a dispute with TUM, which is described in more detail under “Business—Legal Proceedings—Arbitration Proceeding with Technische Universität München”.

## **Government Regulation**

### *Government Regulation and Product Approval*

Government authorities in the U.S., at the federal, state and local level, and other countries extensively regulate, among other things, the research, development, testing, manufacture, quality control, approval, labeling, packaging, storage, record-keeping, promotion, advertising, distribution, marketing and export and import of products such as those we are developing. A new drug must be approved by the FDA through the new drug application, or NDA, process and a new biologic must be approved by the FDA through the biologics license application, or BLA, process before it may be legally marketed in the U.S.

### *U.S. Drug Development Process*

In the U.S., the FDA regulates drugs under the federal Food, Drug, and Cosmetic Act, or FDCA, and in the case of biologics, also under the Public Health Service Act, or PHSA, and implementing 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 the FDA’s refusal to approve pending applications, withdrawal of an approval, a clinical hold, warning letters, product recalls, 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. The process required by the FDA before a drug or biologic may be marketed in the U.S. generally involves the following:

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- completion of preclinical laboratory tests, animal studies and formulation studies according to Good Laboratory Practices or other applicable 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 according to Good Clinical Practices to establish the safety and efficacy of the proposed drug for its intended use;
- submission to the FDA of an NDA or BLA;
- satisfactory completion of an FDA inspection of the manufacturing facility or facilities at which the drug is produced to assess compliance with current good manufacturing practice, or cGMP, to assure that the facilities, methods and controls are adequate to preserve the drug's identity, strength, quality and purity; and
- FDA review and approval of the NDA or BLA.

Once a pharmaceutical candidate is identified for development it enters the preclinical testing stage. Preclinical tests include laboratory evaluations of product chemistry, toxicity and formulation, as well as animal studies. An IND sponsor must submit the results of the preclinical tests, together with manufacturing information and analytical data, to the FDA as part of the IND. The sponsor will also include a protocol detailing, among other things, the objectives of the first phase of the clinical trial, the parameters to be used in monitoring safety, and the effectiveness criteria to be evaluated, if the first phase lends itself to an efficacy evaluation. Some preclinical testing may continue even after the IND is submitted. The IND automatically becomes effective 30 days after receipt by the FDA, unless the FDA, within the 30-day time period, places the clinical trial on a clinical hold. 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 studies due to safety concerns or non-compliance.

All clinical trials must be conducted under the supervision of one or more qualified investigators in accordance with good clinical practice regulations. They must be conducted under protocols detailing the objectives of the trial, dosing procedures, subject selection and exclusion criteria and the safety and effectiveness criteria to be evaluated. Each protocol must be submitted to the FDA as part of the IND, and progress reports detailing the results of the clinical trials must be submitted at least annually. In addition, timely safety reports must be submitted to the FDA and the investigators for serious and unexpected adverse events. An institutional review board, or IRB, at each institution participating in the clinical trial must review and approve each protocol before a clinical trial commences at that institution and must also approve the information regarding the trial and the consent form that must be provided to each trial subject or his or her legal representative, monitor the study until completed and otherwise comply with IRB regulations.

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

- **Phase I:** The product candidate is initially introduced into healthy human subjects and tested for safety, dosage tolerance, absorption, metabolism, distribution and excretion. In the case of some products for severe or life-threatening diseases, such as cancer, especially when the product may be too inherently toxic to ethically administer to healthy volunteers, the initial human testing is often conducted in patients.
- **Phase II:** This phase involves studies 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.
- **Phase III:** Clinical trials are undertaken to further evaluate dosage, clinical efficacy and safety in an expanded patient population at geographically dispersed clinical study sites. These studies are intended to establish the overall risk-benefit ratio of the product candidate and provide, if appropriate, an adequate basis for product labeling.

The FDA or the sponsor may suspend 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 drug has been associated with unexpected serious harm to patients. Phase I, Phase II, and Phase III testing may not be completed successfully within any specified period, if at all.

During the development of a new drug, sponsors are given opportunities to meet with the FDA at certain points. These points may be prior to submission of an IND, at the end of Phase II, and before an NDA or BLA is submitted. Meetings at other times may be requested. These meetings can provide an opportunity for the sponsor to share information about the data gathered to date, for the

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FDA to provide advice, and for the sponsor and FDA to reach agreement on the next phase of development. Sponsors typically use the End of Phase II meeting to discuss their Phase II clinical results and present their plans for the pivotal Phase III clinical trial that they believe will support approval of the new drug.

Concurrent with clinical trials, companies usually complete additional animal studies and must also develop additional information about the chemistry and physical characteristics of the drug 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 drug. 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.

### *U.S. Review and Approval Processes*

The results of product development, preclinical studies and clinical trials, along with descriptions of the manufacturing process, analytical tests conducted on the chemistry of the drug, proposed labeling, and other relevant information are submitted to the FDA as part of an NDA or BLA requesting approval to market the product. The submission of an NDA or BLA is subject to the payment of user fees; a waiver of such fees may be obtained under certain limited circumstances. The FDA reviews all NDAs and BLAs submitted to ensure that they are sufficiently complete for substantive review before it accepts them for filing. The FDA may request additional information rather than accept a NDA or BLA for filing. In this event, the NDA or BLA must be resubmitted with the additional information. The resubmitted application also is subject to review before the FDA accepts it for filing. Once the submission is accepted for filing, the FDA begins an in-depth substantive review. FDA may refer the NDA or BLA to an advisory committee for review, evaluation and recommendation as to whether the application should be approved and under what conditions. The FDA is not bound by the recommendation of an advisory committee, but it generally follows such recommendations. The approval process is lengthy and often difficult, and the FDA may refuse to approve an NDA or BLA if the applicable regulatory criteria are not satisfied or may require additional clinical or other data and information. Even if such data and information is submitted, the FDA may ultimately decide that the NDA or BLA 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. The FDA may issue a complete response letter, which may require additional clinical or other data or impose other conditions that must be met in order to secure final approval of the NDA or BLA, or an approved letter following satisfactory completion of all aspects of the review process. The FDA reviews an NDA to determine, among other things, whether a product is safe and effective for its intended use and whether its manufacturing is cGMP-compliant to assure and preserve the product's identity, strength, quality and purity. The FDA reviews a BLA to determine, among other things whether the product is safe, pure and potent and the facility in which it is manufactured, processed, packed or held meets standards designed to assure the product's continued safety, purity and potency. Before approving an NDA or BLA, the FDA will inspect the facility or facilities where the product is manufactured.

NDAs or BLAs receive either standard or priority review. A drug representing a significant improvement in treatment, prevention or diagnosis of disease may receive priority review. Priority review for an NDA for a new molecular entity and original BLAs will be 6 months from the date that the NDA or BLA is filed. In addition, products studied for their safety and effectiveness in treating serious or life-threatening illnesses and that provide meaningful therapeutic benefit over existing treatments may receive accelerated approval and may be approved on the basis of adequate and well-controlled clinical trials establishing that the drug product has an effect on a surrogate endpoint that is reasonably likely to predict clinical benefit or on the basis of an effect on a clinical endpoint other than survival or irreversible morbidity. As a condition of approval, the FDA may require that a sponsor of a drug receiving accelerated approval perform adequate and well-controlled post-marketing clinical trials. Priority review and accelerated approval do not change the standards for approval, but may expedite the approval process.

If a product receives regulatory 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. In addition, the FDA may require a sponsor to conduct Phase IV testing which involves clinical trials designed to further assess a drug's safety and effectiveness after NDA or BLA approval, and may require testing and surveillance programs to monitor the safety of approved products which have been commercialized.

The Food and Drug Administration Safety and Innovation Act, or FDASIA, which was enacted in 2012, made permanent the Pediatric Research Equity Act, or PREA, which requires a sponsor to conduct pediatric studies for most drugs and biologicals, for a new active ingredient, new indication, new dosage form, new dosing regimen or new route of administration. Under PREA, original NDAs, BLAs and supplements thereto, must contain a pediatric assessment unless the sponsor has received a deferral or waiver. The required assessment must assess the safety and effectiveness of the product for the claimed indications in all relevant pediatric subpopulations and support dosing and administration for each pediatric subpopulation for which the product is safe and effective. The sponsor or FDA may request a deferral of pediatric studies for some or all of the pediatric subpopulations. A deferral may be granted for several reasons, including a finding that the drug or biologic is ready for approval for use in adults before pediatric studies are complete or



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that additional safety or effectiveness data needs to be collected before the pediatric studies begin. After April 2013, the FDA must send a non-compliance letter to any sponsor that fails to submit the required assessment, keep a deferral current or fails to submit a request for approval of a pediatric formulation.

### *Patent Term Restoration and Marketing Exclusivity*

Depending upon the timing, duration and specifics of FDA approval of our drugs, some of our U.S. patents may be eligible for limited patent term extension under the Drug Price Competition and Patent Term Restoration Act of 1984, referred to as the Hatch-Waxman Amendments. The Hatch-Waxman Amendments permit a patent restoration term of up to five years as compensation for patent term lost during product development and the FDA regulatory review process. However, patent term restoration cannot extend the remaining term of a patent beyond a total of 14 years from the product's approval date. The patent term restoration period is generally one-half the time between the effective date of an IND, and the submission date of an NDA or BLA, plus the time between the submission date of an NDA or BLA and the approval of that application. Only one patent applicable to an approved drug is eligible for the extension, and the extension must be applied for prior to expiration of the patent. The United States Patent and Trademark Office, in consultation with the FDA, reviews and approves the application for any patent term extension or restoration.

Pediatric exclusivity is another type of marketing exclusivity available in the U.S. The FDASIA made permanent the Best Pharmaceuticals for Children Act, or BPCA, which provides for an additional six months of marketing exclusivity if a sponsor conducts clinical trials in children in response to a written request from the FDA, or a Written Request. If the Written Request does not include studies in neonates, the FDA is required to include its rationale for not requesting those studies. The FDA may request studies on approved or unapproved indications in separate Written Requests. The issuance of a Written Request does not require the sponsor to undertake the described studies.

### *Biologics Price Competition and Innovation Act of 2009*

On March 23, 2010, President Obama signed into law the Patient Protection and Affordable Care Act which included the Biologics Price Competition and Innovation Act of 2009, or BPCIA. The BPCIA amended the PHSA to create an abbreviated approval pathway for two types of "generic" biologics—biosimilars and interchangeable biologic products, and provides for a twelve-year exclusivity period for the first approved biological product, or reference product, against which a biosimilar or interchangeable application is evaluated; however if pediatric studies are performed and accepted by the FDA, the twelve-year exclusivity period will be extended for an additional six months. A biosimilar product is defined as one that is highly similar to a reference product notwithstanding minor differences in clinically inactive components and for which there are no clinically meaningful differences between the biological product and the reference product in terms of the safety, purity and potency of the product. An interchangeable product is a biosimilar product that may be substituted for the reference product without the intervention of the health care provider who prescribed the reference product.

The biosimilar applicant must demonstrate that the product is biosimilar based on data from (1) analytical studies showing that the biosimilar product is highly similar to the reference product; (2) animal studies (including toxicity); and (3) one or more clinical studies to demonstrate safety, purity and potency in one or more appropriate conditions of use for which the reference product is approved. In addition, the applicant must show that the biosimilar and reference products have the same mechanism of action for the conditions of use on the label, route of administration, dosage and strength, and the production facility must meet standards designed to assure product safety, purity and potency.

An application for a biosimilar product may not be submitted until four years after the date on which the reference product was first approved. The first approved interchangeable biologic product will be granted an exclusivity period of up to one year after it is first commercially marketed, but the exclusivity period may be shortened under certain circumstances.

In February 2012, the FDA issued 3 draft guidance documents on biosimilar product development. The draft guidance documents are: "Scientific Considerations in Demonstrating Biosimilarity to a Reference Product," "Quality Considerations in Demonstrating Biosimilarity to a Reference Protein Product," and "Biosimilars: Questions and Answers Regarding Implementation of the Biologics Price Competition and Innovation Act of 2009." In April 2013, the FDA issued a fourth draft guidance entitled, "Formal Meetings between the FDA and Biosimilar Biological Product Sponsors or Applicants." The guidance documents provide FDA's current thinking on approaches to demonstrating that a proposed biological product is biosimilar to a reference product. The FDA received public comments on the draft documents and intends to issue final guidance documents in the future. Nevertheless, the absence of a final guidance document does not prevent a sponsor for seeking licensure of a biosimilar under the BPCIA.



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### *Orphan Drug Designation*

Under the Orphan Drug Act, the FDA may grant orphan drug designation to a drug intended to treat a rare disease or condition, which is generally a disease or condition that affects fewer than 200,000 individuals in the U.S., or more than 200,000 individuals in the U.S. and for which there is no reasonable expectation that the cost of developing and making available in the U.S. a drug for this type of disease or condition will be recovered from sales in the U.S. for that drug. Orphan drug designation must be requested before submitting an NDA or BLA. After the FDA grants orphan drug designation, the identity of the therapeutic agent and its potential orphan use are disclosed publicly by the FDA. Orphan drug designation does not convey any advantage in or shorten the duration of the regulatory review and approval process.

If a product that has orphan drug designation subsequently receives the first FDA approval for the disease for which it has such designation, the product is entitled to orphan product exclusivity, which means that the FDA may not approve any other applications to market the same drug for the same indication, except in very limited circumstances, for seven years. Orphan drug exclusivity, however, also could block the approval of one of our products for seven years if a competitor obtains approval of the same drug as defined by the FDA or if our product candidate is determined to be contained within the competitor's product for the same indication or disease.

The FDA also administers a clinical research grants program, whereby researchers may compete for funding to conduct clinical trials to support the approval of drugs, biologics, medical devices, and medical foods for rare diseases and conditions. A product does not have to be designated as an orphan drug to be eligible for the grant program. An application for an orphan grant should propose one discrete clinical study to facilitate FDA approval of the product for a rare disease or condition. The study may address an unapproved new product or an unapproved new use for a product already on the market.

### *Fast Track Designation and Accelerated Approval*

FDA is required to facilitate the development, and expedite the review, of drugs that are intended for the treatment of a serious or life-threatening disease or condition for which there is no effective treatment and which demonstrate the potential to address unmet medical needs for the condition. Under the fast track program, the sponsor of a new drug candidate may request that FDA designate the drug candidate for a specific indication as a fast track drug concurrent with, or after, the filing of the IND for the drug candidate. FDA must determine if the drug candidate qualifies for fast track designation within 60 days of receipt of the sponsor's request.

Under the fast track program and FDA's accelerated approval regulations, FDA may approve a drug for a serious or life-threatening illness that provides meaningful therapeutic benefit to patients over existing treatments based upon a surrogate endpoint that is reasonably likely to predict clinical benefit, or on a clinical endpoint that can be measured earlier than irreversible morbidity or mortality, that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit, taking into account the severity, rarity, or prevalence of the condition and the availability or lack of alternative treatments.

In clinical trials, a surrogate endpoint is a measurement of laboratory or clinical signs of a disease or condition that substitutes for a direct measurement of how a patient feels, functions, or survives. Surrogate endpoints can often be measured more easily or more rapidly than clinical endpoints. A drug candidate approved on this basis is subject to rigorous post-marketing compliance requirements, including the completion of Phase 4 or post-approval clinical trials to confirm the effect on the clinical endpoint. Failure to conduct required post-approval studies, or confirm a clinical benefit during post-marketing studies, will allow FDA to withdraw the drug from the market on an expedited basis. All promotional materials for drug candidates approved under accelerated regulations are subject to prior review by FDA.

In addition to other benefits such as the ability to use surrogate endpoints and engage in more frequent interactions with FDA, FDA may initiate review of sections of a fast track drug's BLA before the application is complete. This rolling review is available if the applicant provides, and FDA approves, a schedule for the submission of the remaining information and the applicant pays applicable user fees. However, FDA's time period goal for reviewing an application does not begin until the last section of the BLA is submitted. Additionally, the fast track designation may be withdrawn by FDA if FDA believes that the designation is no longer supported by data emerging in the clinical trial process.

In FDASIA, Congress encouraged the FDA to utilize innovative and flexible approaches to the assessment of products under accelerated approval. The law required the FDA to issue related draft guidance within a year after the law's enactment and also promulgate confirming regulatory changes. In June 2013, the FDA published a draft Guidance for Industry entitled, "Expedited Programs for Serious Conditions-Drugs and Biologics" which provides guidance on FDA programs that are intended to facilitate and expedite development and review of new drugs as well as threshold criteria generally applicable to concluding that a drug is a candidate for these expedited development and review programs. In addition to the Fast Track, accelerated approval and priority review programs discussed above, the FDA also provided guidance on a new program for Breakthrough Therapy designation. A request for Breakthrough Therapy designation should be submitted concurrently with, or as an amendment to an IND. FDA has already granted this designation to over 30 new drugs and has approved several.

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### *Post-Approval Requirements*

Once an approval is granted, the FDA may withdraw the approval if compliance with regulatory standards is not maintained or if problems occur after the product reaches the market. Later discovery of previously unknown problems with a product may result in restrictions on the product or even complete withdrawal of the product from the market. After approval, some types of changes to the approved product, such as adding new indications, manufacturing changes and additional labeling claims, are subject to further FDA review and approval. 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 cGMP and other laws and regulations. We rely, and expect to continue to rely, on third parties for the production of clinical and commercial quantities of our products. Future inspections by the FDA and other regulatory agencies may identify compliance issues at the facilities of our contract manufacturers that may disrupt production or distribution, or require substantial resources to correct.

Any drug products manufactured or distributed by us pursuant to FDA approvals are subject to continuing regulation by the FDA, including, among other things, record-keeping requirements, reporting of adverse experiences with the drug, providing the FDA with updated safety and efficacy information, drug sampling and distribution requirements, complying with certain electronic records and signature requirements, and complying with FDA promotion and advertising requirements. FDA strictly regulates labeling, advertising, promotion and other types of information on products that are placed on the market. Drugs may be promoted only for the approved indications and in accordance with the provisions of the approved label.

From time to time, legislation is drafted, introduced and passed in Congress that could significantly change the statutory provisions governing the approval, manufacturing and marketing of products regulated by the FDA. It is impossible to predict whether further legislative changes will be enacted, or FDA regulations, guidance or interpretations changed or what the impact of such changes, if any, may be.

### *Foreign Regulation*

In addition to regulations in the United States, we will be subject to a variety of foreign regulations governing clinical trials and commercial sales and distribution of our products. Whether or not we obtain FDA approval for a product, we must obtain approval by the comparable regulatory authorities of foreign countries or economic areas, such as the 28-member European Union, before we may commence clinical trials or market products in those countries or areas. The approval process and requirements governing the conduct of clinical trials, product licensing, pricing and reimbursement vary greatly from place to place, and the time may be longer or shorter than that required for FDA approval.

Under European Union regulatory systems, a company may submit marketing authorization applications either under a centralized or decentralized procedure. The centralized procedure, which is compulsory for medicinal products produced by biotechnology or those medicinal products containing new active substances for specific indications such as the treatment of AIDS, cancer, neurodegenerative disorders, diabetes, viral diseases and designated orphan medicines, and optional for other medicines which are highly innovative. Under the centralized procedure, a marketing application is submitted to the European Medicines Agency where it will be evaluated by the Committee for Medicinal Products for Human Use and a favorable opinion typically results in the grant by the European Commission of a single marketing authorization that is valid for all European Union member states within 67 days of receipt of the opinion. The initial marketing authorization is valid for five years, but once renewed is usually valid for an unlimited period. The decentralized procedure provides for approval by one or more “concerned” member states based on an assessment of an application performed by one member state, known as the “reference” member state. Under the decentralized approval procedure, an applicant submits an application, or dossier, and related materials to the reference member state and concerned member states. The reference member state prepares a draft assessment and drafts of the related materials within 120 days after receipt of a valid application. Within 90 days of receiving the reference member state’s assessment report, each concerned member state must decide whether to approve the assessment report and related materials. If a member state does not recognize the marketing authorization, the disputed points are eventually referred to the European Commission, whose decision is binding on all member states.

When conducting clinical trials in the EU, we must adhere to the provisions of the EU Clinical Trials Directive and the laws and regulations of the EU Member States implementing them. These provisions require, among other things, that the prior authorization of an Ethics Committee and the competent Member State authority be obtained before commencing the clinical trial.

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As in the United States, it may be possible in foreign countries to obtain a period of market and/or data exclusivity that would have the effect of postponing the entry into the marketplace of a competitor's generic product. For example, in the EU, if any of our products receive marketing approval in the European Economic Area, or EEA which is comprised of the 28 member states of the EU plus Norway, Iceland and Liechtenstein, we expect they will benefit from 8 years of data exclusivity and an additional 2 years of marketing exclusivity. An additional one-year extension of marketing exclusivity is possible if during the data exclusivity period, we obtain an authorization for one or more new therapeutic indications that is deemed to bring a significant clinical benefit compared to existing therapies. The data exclusivity period begins on the date of the product's first marketing authorization in the EU and prevents biosimilars from relying on the holder of the marketing authorization for the reference biological medicine's pharmacological, toxicological and clinical data for a period of 8 years. After 8 years, a biosimilar product application may be submitted and the sponsoring companies may rely on the marketing authorization holder's data. However, a biosimilar medicine cannot launch until 2 years later (or a total of 10 years after the first marketing authorization in the EU of the innovator product), or 3 years later (or a total of 11 years after the first marketing authorization in the EU of the innovator product) if the marketing authorization holder obtains marketing authorization for a new indication with significant clinical benefit within the 8 year data exclusivity period.

As in the United States, a sponsor may apply for designation of a product as an orphan drug for the treatment of a specific indication in the EU before the application for marketing authorization is made. Orphan drugs in Europe enjoy economic and marketing benefits, including up to 10 years of market exclusivity for the approved indication unless another applicant can show that its product is safer, more effective or otherwise clinically superior to the orphan-designated product.

### *Reimbursement*

Sales of pharmaceutical products depend in significant part on the availability of third-party reimbursement. Third-party payors include government healthcare programs, managed care providers, private health insurers and other organizations. These third-party payors are increasingly challenging the price and examining the cost-effectiveness of medical products and services. In addition, significant uncertainty exists as to the reimbursement status of newly approved healthcare products. We may need to conduct expensive pharmacoeconomic studies in order to demonstrate the cost-effectiveness of our products. Our product candidates may not be considered cost-effective. It is time consuming and expensive to seek reimbursement from third-party payors. Reimbursement may not be available or sufficient to allow us to sell our products on a competitive and profitable basis.

In addition, in some foreign countries, the proposed pricing for a drug must be approved before it may be lawfully marketed. The requirements governing drug pricing vary widely from country to country. For example, the European Union provides options for its member states to restrict the range of medicinal products for which their national health insurance systems provide reimbursement and to control the prices of medicinal products for human use. A member state may approve a specific price for the medicinal product or it may instead adopt a system of direct or indirect controls on the profitability of the company placing the medicinal product on the market. There can be no assurance that any country that has price controls or reimbursement limitations for pharmaceutical products will allow favorable reimbursement and pricing arrangements for any of our products. Historically, products launched in the European Union do not follow price structures of the United States and generally tend to be significantly lower.

### **Employees**

As of the date of this report, we have 25 full-time employees and seven part-time employees, including eight employees with Ph.D. degrees. Of these 32 employees, 27 are engaged in research and development activities and five work in general support and administration. None of our employees is represented by a labor union or covered by a collective bargaining agreement. We consider our relationship with our employees to be good. To successfully develop our drug candidates, we must be able to attract and retain highly skilled personnel. We anticipate hiring additional employees for research and development, clinical and regulatory affairs and general and administrative activities over the next few years. We also utilize the services of consultants, clinical research organizations and other third parties on a regular basis.

### **Legal Proceedings**

#### ***Arbitration Proceeding with Technische Universität München***

On March 20, 2014, Pieris Operating instituted arbitration proceedings, or the TUM Arbitration, against Technische Universität München, or Munich Technical University and hereafter TUM, to address issues regarding the calculation of payments due from Pieris Operating to TUM under Pieris Operating's Research and Licensing Agreement with TUM, as amended, or the TUM License Agreement. Pursuant to the terms of the TUM License Agreement, the arbitration is proceeding in Munich, Germany and governed by German law, in accordance with the arbitration rules of the Deutsche Institution für Schiedsgerichtsbarkeit.

On July 4, 2003, or the Effective Date, Pieris Operating and TUM entered into the TUM License Agreement, as superseded and replaced on July 26, 2007, under which TUM has exclusively licensed, or in some cases assigned, to Pieris Operating certain intellectual property and know-how that has become part of the Anticalin® proprietary technologies. In return, Pieris Operating agreed

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to pay to TUM certain undisclosed annual license fees, milestones and royalties for its own proprietary drug development and sales, as well as an undisclosed variable fee as a function of out-licensing revenues, or the Out-License Fee, where such Out-License Fees are creditable against annual license payments to TUM.

As required by the TUM License Agreement, Pieris Operating provided to TUM its calculation of the Out-License Fee owed by Pieris Operating to TUM for the period beginning on the Effective Date and ending on December 31, 2012, the Dispute Period, in the amount of \$0.4 million excluding value-added tax. TUM has asserted that, under the TUM License Agreement, the Out-License Fee due to TUM for the Dispute Period amounts to \$3.4 million excluding value-added tax in the aggregate and has threatened to terminate the TUM License Agreement if the Out-License Fee is not paid. We believe that if TUM sought to terminate the license agreement for cause as a result of this dispute, it would potentially face wrongful termination claims for substantial damages if the arbitral tribunal in the TUM Arbitration sides with Pieris in its final decision regarding the proper amount of the Out-License Fee. Pieris Operating instituted the TUM Arbitration to request the arbitration tribunal to hold that Pieris Operating's calculation of the payments owed to TUM is accurate and shall govern all current and future payments due in respect of the Out-License Fee under the TUM License Agreement. Pieris Operating has reserved a liability on its balance sheet in respect of such payment in the amount of €271,000 (\$373,000). An adverse ruling in the TUM Arbitration could have a material adverse effect on Pieris Operating's results of operations and financial condition.

In April 2014, TUM argued to the arbitrators that it is not the proper party to be sued under the action for a declaratory arbitration decision brought by Pieris Operating in relation to the Research and Licensing Agreement, and that instead, it is the Free State of Bavaria that is the proper respondent to the action. Pieris Operating has responded that TUM has capacity to be sued in relation to any disputes arising from and regarding contractual provisions of the Research and Licensing Agreement and is thus also the proper respondent in the action. In accordance with the arbitration rules of the Deutsche Institution für Schiedsgerichtsbarkeit, each party to the arbitration proceeding has appointed one arbitrator and the party-named arbitrators collectively selected the third arbitrator as the chairman of the arbitration panel. The panel has indicated that it will first decide the issue of whether TUM is the proper respondent in this action. The arbitration panel has set a date for a first hearing in Munich, Germany on January 20, 2015.

On December 1, 2014, TUM filed its statement of defense, maintaining its earlier calculation of the Out-License Fee. Pieris Operating has until January 12, 2015 to file a reply brief in response to TUM's defense.

As of the date of this report, other than the arbitration proceeding against TUM, we are not currently involved in any material legal proceedings. However, from time to time, we could be subject to various legal proceedings and claims that arise in the ordinary course of our business activities. Regardless of the outcome, legal proceedings can have an adverse impact on us because of defense and settlement costs, diversion of management resources and other factors.

### **Properties**

We rent approximately 1,414 square meters of office and laboratory space in Freising, Germany under a lease and provides for a monthly rent payment of €18,200 (\$25,078), or €218,400 (\$300,933) annually. This lease may be terminated by either party subject to an 8-month notice period, provided, however, that such period must finish at the end of a quarter and, if not, the notice period will be extended to the following quarter-end. We believe that our facilities are sufficient to meet our current needs and we will look for suitable additional space as and when needed.

### **Available Information**

Historically, we have filed periodic reports under the Securities Exchange Act of 1934, as amended, and file annual, quarterly and current reports and other information with the SEC. You may read and copy these reports and other information at the public reference facilities of the SEC at 100 F Street, NE., Washington, DC 20549, on official business days during the hours of 10 a.m. to 3 p.m. You may also obtain information on the operation of the Public Reference Room by calling the Commission at 1-800-SEC-0330. The Commission maintains an Internet site that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the Commission at <http://www.sec.gov>.

## RISK FACTORS

*Investing in our common stock involves a high degree of risk. You should carefully consider the risks described below, together with the other information contained in this report, including our financial statements and the related notes attached as exhibits, before making any decision to invest in shares of our common stock. If any of the events contemplated by the following discussion of risks should occur, our business, results of operations and financial condition could suffer significantly. As a result, you could lose some or all of your investment in our common stock.*

### **Risks Related to Our Business, Financial Position and Capital Requirements**

***We have incurred significant losses since our inception and anticipate that we will continue to incur losses for the foreseeable future. We currently have no product revenues and no approved products, and will need to raise additional capital to operate our business.***

We are a clinical-stage biopharmaceutical company. To date, we have not generated any product revenue and are not profitable, and have incurred losses each year since our inception in August 2000. For the years ended December 31, 2013 and 2012 we reported net income of \$0.1 million and net loss of \$2.3 million, respectively. Our net profit for the year ended December 31, 2013 is not indicative of a trend. As of December 31, 2013, we had an accumulated deficit of \$56.0 million. As of September 30, 2014, we had an accumulated deficit of \$61.6 million. We expect to continue to incur losses for the foreseeable future, and we expect these losses to increase as we continue our development of, and seek regulatory approvals for, our drug candidates and the commercialization of approved products, if any.

We are currently focused primarily on the development of our lead drug candidates, PRS-080 and PRS-060, as well as our other programs, which we believe will result in our continued incurrence of significant research, development and other expenses related to those programs. If preclinical studies or the clinical trials for any of our drug candidates fail or produce unsuccessful results and those drug candidates do not gain regulatory approval, or if any of our drug candidates, if approved, fail to achieve market acceptance, we may never become profitable. Even if we achieve profitability in the future, we may not be able to sustain profitability in subsequent periods. Our prior losses, combined with expected future losses, have had and will continue to have an adverse effect on our stockholders' equity and working capital.

***We will need substantial additional funding to continue our operations. We may not be able to raise capital when needed, if at all, which would force us to delay, reduce or eliminate our product development programs or commercialization efforts and could cause our business to fail.***

Our operations have consumed substantial amounts of cash since inception. We expect to need substantial additional funding to pursue the clinical development of our drug candidates and launch and commercialize any drug candidates for which we receive regulatory approval.

We will require additional capital for the further development and commercialization of our drug candidates and may need to raise additional funds sooner if we choose to expand more rapidly than we currently anticipate. Further, we expect our expenses to increase in connection with our ongoing activities, particularly as we advance PRS-080 through a Phase I clinical trial and prepare for a potential Phase I clinical trial of PRS-060. In addition, if we obtain regulatory approval for any of our drug candidates, we expect to incur significant commercialization expenses related to regulatory requirements, product manufacturing, marketing, sales and distribution.

Furthermore, upon the closing of the Acquisition, we expect to incur additional costs associated with operating as a public company. We may also encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may increase our capital needs and/or cause us to spend our cash resources faster than we expect. Accordingly, we will need to obtain substantial additional funding in order to continue our operations.

To date, we have financed our operations through a mix of investments from private investors, the incurrence of debt, grant funding and technology licensing revenues, and we expect to continue to utilize such means of financing for the foreseeable future. Additional funding from those or other sources may not be available when or in the amounts needed, on acceptable terms, or at all.

If we raise capital through the sale of equity, or securities convertible into equity, it would result in dilution to our then existing stockholders, which could be significant depending on the price at which we may be able to sell our securities.

If we raise additional capital through the incurrence of indebtedness, we would likely become subject to covenants restricting our business activities, and holders of debt instruments may have rights and privileges senior to those of our equity investors. In addition, servicing the interest and principal repayment obligations under debt facilities could divert funds that would otherwise be available to support research and development, clinical or commercialization activities.

If we obtain capital through collaborative arrangements, these arrangements could require us to relinquish rights to our Anticalin®-brand technology or drug candidates and could result in our receipt of only a portion of the revenues associated with the partnered drug.

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If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development for our drug candidates or any future commercialization efforts. Any of these events could significantly harm our business, financial condition and prospects.

***Our limited operating history as a clinical stage company may hinder our ability to successfully meet our objectives, and may limit the amount of information about us upon which you can base an evaluation of our business and prospects.***

We were formed in August 2000 and, since that time our focus has been on discovery of Anticalin®-brand drug candidates. We are currently conducting clinical development of PRS-080, and are continuing preclinical development of our other drug candidates, as well as exploring additional indications that may be suitable for Anticalin-brand drug therapeutics, such as immuno-oncology. Our drug candidates are in early stages of development, have not obtained marketing approval, have never generated any sales and will require extensive testing before commercialization. We have limited operating experience with respect to clinical-stage operations and have not yet demonstrated an ability to successfully overcome many of the risks and uncertainties frequently encountered by companies in new and rapidly evolving fields, particularly in the biopharmaceutical area. In addition, the early-stage nature of our drug development operations can only provide limited operating results upon which you can evaluate our business and prospects.

Our limited operating history may adversely affect our ability to implement our business strategy and achieve our business goals, which include, among others, the following activities:

- developing our drug candidates using unproven technologies;
- undertaking preclinical development and clinical trials as well as formulating and manufacturing products;
- obtaining the human and financial resources necessary to develop, test, manufacture, commercialize and market our drug candidates;
- engaging corporate partners to assist in developing, testing, manufacturing and marketing our drug candidates;
- continuing to build and maintain an intellectual property portfolio covering our technology and our drug candidates;
- satisfying the requirements of clinical trial protocols, including patient enrollment, establishing and demonstrating the clinical safety and efficacy of our drug candidates and obtaining necessary regulatory approvals;
- achieving acceptance and use by the medical community of our drug candidates after they receive regulatory approvals;
- maintaining, growing and managing our internal teams as and to the extent we increase our operations and develop new segments of our business;
- developing and maintaining successful collaboration, strategic and other relationships for the development and commercialization of our drug candidates that receive regulatory approvals with existing and new partners; and
- managing our cash flows and any growth we may experience in an environment where costs and expenses relating to clinical trials, regulatory approvals and commercialization continue to increase.

If we are unsuccessful in accomplishing these objectives, we may not be able to develop drug candidates, raise capital, expand our business or continue our operations.

***Our global operations subject us to various risks, and our failure to manage these risks could adversely affect our results of operations.***

Our business is subject to certain risks associated with doing business globally. One of our growth strategies is to pursue opportunities for our business in several areas of the world, both inside and outside of the United States, Germany and Europe, any or all of which could be adversely affected by the risks set forth below. Accordingly, we face significant operational risks as a result of doing business internationally, such as:

- fluctuations in foreign currency exchange rates;
- potentially adverse tax consequences;



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- challenges in providing solutions across a significant distance, in different languages and among different cultures;
- different, complex and changing laws governing intellectual property rights, sometimes affording reduced protection of intellectual property rights in certain countries;
- difficulties in staffing and managing foreign operations, particularly in new geographic locations;
- restrictions imposed by local labor practices and laws on our business and operations;
- rapid changes in government, economic and political policies and conditions, political or civil unrest or instability, terrorism or epidemics and other similar outbreaks or events;
- compliance with a wide variety of complex foreign laws, treaties and regulations;
- tariffs, trade barriers and other regulatory or contractual limitations on our ability to develop or sell our products in certain foreign markets; and
- becoming subject to the laws, regulations and court systems of multiple jurisdictions.

Our failure to manage the market and operational risks associated with our international operations effectively could limit the future growth of our business and adversely affect our results of operations.

### ***Our international operations pose currency risks, which may adversely affect our operating results and net income.***

Our operating results may be affected by volatility in currency exchange rates and our ability to effectively manage our currency transaction risks. Our reporting currency is the U.S. dollar and our functional currency is the euro. As such, the financial statements are translated for reporting purposes as follows: (1) asset and liability accounts at year-end rates, (2) income statement accounts at weighted average exchange rates for the year and (3) stockholders' equity accounts at historical rates. Corresponding translation gains or losses are recorded in stockholders' equity.

In 2013, 100% of our revenues were generated and 75.4 % of our costs were incurred in euros. As we realize upon our strategy to expand internationally, our exposure to currency risks will increase. We do not manage our foreign currency exposure in a manner that would eliminate the effects of changes in foreign exchange rates. Therefore, changes in exchange rates between these foreign currencies and the euro will affect our revenues and expenses and could result in exchange losses in any given reporting period.

We incur currency transaction risks whenever we enter into either a purchase or a sale transaction using a different currency other than the euro, our functional currency, in particular our arrangements for the purchase of supplies or licensing and collaboration agreements with partners outside of the euro zone. In such cases we may suffer an exchange loss because we do not currently engage in currency swaps or other currency hedging strategies to address this risk.

Given the volatility of exchange rates, we can give no assurance that we will be able to effectively manage our currency transaction risks or that any volatility in currency exchange rates will not have an adverse effect on our results of operations.

### **Risks Related to the Discovery and Development of Our Drug Candidates**

***We are heavily dependent on the success of PRS-080 and PRS-060, our early-stage lead drug candidates which are still in clinical and preclinical development, respectively, and we cannot be certain that PRS-080 and PRS-060 will receive regulatory approvals or be successfully commercialized even if we receive regulatory approvals.***

We currently have no products that are approved for commercial sale. We expect that a substantial portion of our efforts and expenditures over the next few years will be devoted to our lead drug candidates, PRS-080 and PRS-060. We initiated a Phase I clinical trial with PRS-080 in healthy volunteers in November 2014 and PRS-060 is in preclinical development. All of our other drug candidates are in the discovery or early preclinical stage. Accordingly, our business is currently substantially dependent on the successful development, clinical testing, regulatory approval and commercialization of PRS-080 and PRS-060, which may never occur.

Before we can generate any revenues from sales of our lead drug candidates, we must complete the following activities for each of them, any one of which we may not be able to successfully complete:

- conduct additional preclinical and clinical development;



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- manage preclinical, manufacturing and clinical activities;
- obtain regulatory approval;
- establish manufacturing relationships for the clinical supply of the applicable drug candidate;
- build a commercial sales and marketing team, either internally or by contract with third parties;
- develop and implement marketing strategies; and
- invest significant additional cash in each of the above activities.

If the results of the PRS-080 Phase I clinical trial are not successful, we may not be able to use those results as the basis for advancing the drug candidate into further clinical development. In that case, we may not have the resources to conduct new clinical trials, and/or we may determine that further clinical development of this drug candidate is not justified and may decide to discontinue the program. Clinical testing of PRS-060 has not yet commenced, and the results of any future preclinical studies or clinical trials of PRS-060, if unsuccessful, could lead to our abandonment of the development of that drug candidate as well. If studies of these two drug candidates produce unsuccessful results and we are forced or elect to cease their development, our business and prospects would be substantially harmed.

### ***Preclinical and clinical testing of our drug candidates that have been conducted to date or will be conducted in future may not have been or may not be performed in compliance with applicable regulatory requirements, which could lead to increased costs or material delays for their further development.***

Given the complexity as well as the uncertainty inherent in biopharmaceutical preclinical studies and clinical trials, and because of our limited operating experience, we may discover that our own development activities have not been or are not in compliance with applicable regulatory requirements or have otherwise been or are deficient, and, therefore, advancement of the development of the drug candidates on the basis of those trials and studies is not warranted or will be delayed.

We have also entered into license and partnership arrangements, such as with Allergan, Daiichi Sankyo, Sanofi, Zydus and Stelis, relating to certain of our drug candidates, and may continue to do so in the future. Under certain of such arrangements, the development of those drug candidates has been, or in the future may be, conducted wholly by such partners or any third parties with which the partners contract. As a result, we have not been or may not be closely involved with or have any control over those development activities. Although certain of such partners have provided information regarding those drug candidates and the related preclinical studies conducted to date, including certain data that is included in this report, we have not received and do not yet have access to comprehensive information regarding those development activities, including the raw data from the studies that have been conducted, information regarding the design, procedural implementation and structure and information regarding the manufacture of the drug candidates used in the studies. Because we have had no input on the development to date of these drug candidates, we may discover that all or certain elements of the trials and studies our partners have performed have not been, or may not in the future be, in compliance with applicable regulatory standards or have otherwise been or may be deficient, and that advancement of the development of these drug candidates on the basis of those trials and studies is not warranted.

Further, the majority of our development activities for each of our drug candidates to date have been conducted outside the United States, primarily in Europe as well as in Australia, and we may conduct some of our future development activities in other countries or regions. As a result, although those studies may meet the standards of certain applicable foreign regulatory bodies, the structure and design of those clinical and preclinical studies may not meet applicable FDA standards to allow immediate further development of those drug candidates in the United States, and also may not meet the standards of the applicable regulatory authorities in foreign countries in which we desire to pursue marketing approval for these drug candidates.

If the studies conducted by us or our partners or collaborators have not been in full compliance with applicable regulatory requirements or are otherwise not eligible for continued development in the United States, then we or our partners may be forced to conduct new studies in order to progress the development of our drug candidates. We, or our partners, may not have the funding or other resources to conduct or complete these new studies, which would severely delay the development plans for these drug candidates and their commercialization. Any such deficiency and delay in the development of these drug candidates would significantly harm our business plans, product revenues and prospects.

### ***Our research and development is based on a rapidly evolving area of science, and our approach to drug discovery and development is novel and may never lead to marketable products.***

Biopharmaceutical product development is generally a highly speculative undertaking and by its nature involves a substantial degree of risk. The specific line of our business, the discovery of Anticalin®-brand drug therapeutics for patients with a variety of diseases and conditions, such as anemia, asthma and cancer, is an emerging field, and the scientific discoveries that form the basis for our efforts to

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develop drug candidates are relatively new. Further, the scientific evidence to support the feasibility of developing drug candidates based on those discoveries is both preliminary and limited. In contrast with companies who focus on more traditional drug classes, such as antibodies and small molecules, we believe we are the first, if not the only company, to work with Anticalin-brand drug therapeutics and work to advance it to a clinical stage of development. We are not aware of any company that has successfully developed and obtained approval for a drug based on Anticalin proteins. As a result, identifying drug targets based in part on their suitability with Anticalin-brand drug therapeutics, which is a fundamental aspect of our business approach, may not lead to the discovery or development of any drugs that successfully treat patients with the diseases and conditions we intend to target. Moreover, the lack of successful precedents in the development of Anticalin proteins could result in added complexities or delays in our development efforts. The failure of the scientific underpinnings of our business model to produce viable drug candidates would substantially harm our operations and prospects.

### ***We may not be successful in our efforts to build a pipeline of drug candidates.***

A key element of our strategy is to use and expand our Anticalin® drug platform to build a pipeline of drug candidates to address different targets, and progress those drug candidates through clinical development for the treatment of a variety of different types of diseases. Although our research efforts to date have resulted in identification of a series of targets, we may not be able to develop drug candidates that are safe and effective inhibitors or promoters of all or any of these targets. Even if we are successful in building a product pipeline, the potential drug candidates that we identify may not be suitable for clinical development for a number of reasons, including causing harmful side effects or demonstrating other characteristics that indicate a low likelihood of receiving marketing approval or achieving market acceptance. If our methods of identifying potential drug candidates fail to produce a pipeline of potentially viable drug candidates, then our success as a business will be dependent on the success of fewer potential drug candidates, which introduces risks to our business model and potential limitations to any success we may achieve.

### ***Clinical drug development involves a lengthy and expensive process with uncertain outcomes, is very difficult to design and implement, and any of our clinical trials could produce unsuccessful results or fail at any stage in the process.***

Clinical trials conducted on humans are expensive and can take many years to complete, and outcomes are inherently uncertain. Failure can occur at any time during the clinical trial process. Additionally, any positive results of preclinical studies and early clinical trials of a drug candidate may not be predictive of the results of later-stage clinical trials, such that drug candidates may reach later stages of clinical trials and fail to show the desired safety and efficacy traits despite having shown indications of those traits in preclinical studies and initial clinical trials. A number of companies in the biopharmaceutical industry have suffered significant setbacks in advanced clinical trials due to lack of efficacy or adverse safety profiles, notwithstanding promising results in earlier phases of the trials. Therefore, the results of any ongoing or future clinical trials we conduct may not be successful.

Although the clinical Phase I trial for PRS-080 in healthy volunteers will be conducted primarily in 2015, and although we are planning to initiate clinical trials for PRS-060 as early as 2016, we may experience delays in pursuing those or any other clinical trials, and any planned clinical trials may not begin on time, may require redesign, may not enroll sufficient healthy volunteers or patients in a timely manner, and may not be completed on schedule, if at all.

Clinical trials may be delayed for a variety of reasons, including delays related to:

- obtaining regulatory approval to commence a trial;
- reaching agreement on acceptable terms with prospective contract research organizations, or CROs, and clinical trial sites, the terms of which can be subject to extensive negotiation and may vary significantly among different CROs and trial sites;
- obtaining institutional review board, or IRB, approval at each trial site;
- enrolling suitable volunteers or patients to participate in a trial;
- developing and validating companion diagnostics on a timely basis;
- changes in dosing or administration regimens;
- having patients complete a trial or return for post-treatment follow-up;
- inability to monitor patients adequately during or after treatment;
- clinical investigators deviating from trial protocols or dropping out of a trial;
- regulators instituting a clinical hold due to observed safety findings or other reasons;
- adding new or substituting clinical trial sites; and
- manufacturing sufficient quantities of drug candidate for use in clinical trials.

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We plan to rely on CROs and clinical trial sites to ensure the proper and timely conduct of our clinical trials. Although we expect that we will have agreements in place with CROs governing their committed activities and conduct, we will have limited influence over their actual performance. As a result, we ultimately will not have control over a CRO's compliance with the terms of any agreement it may have with us, its compliance with applicable regulatory requirements, or its adherence to agreed time schedules and deadlines, and a future CRO's failure to perform those obligations could subject any of our clinical trials to delays or failure.

Further, we may also encounter delays if a clinical trial is suspended or terminated by us, by any IRB or Ethics Committee at an institution in which such trials are being conducted, by the Data Safety Monitoring Board, or DSMB, for the trial, if applicable, or by the FDA, EMA or other regulatory authorities. Such authorities may impose such a suspension or termination due to a number of factors, including failure to conduct the clinical trial in accordance with regulatory requirements, inspection of the clinical trial operations or trial site by the FDA, EMA or other regulatory authorities resulting in the imposition of a clinical hold, exposing participants to health risks caused by unforeseen safety issues or adverse side effects, development of previously unseen safety issues, failure to demonstrate a benefit from using a drug candidate, changes in governmental regulations or administrative actions or lack of adequate funding to continue the clinical trial. Therefore, we cannot predict with any certainty the schedule for commencement or completion of any currently ongoing, planned or future clinical trials.

If we experience delays in the commencement or completion of, or suspension or termination of, any clinical trial for our drug candidates, the commercial prospects of the drug candidate could be harmed, and our ability to generate product revenues from the drug candidate may be delayed or eliminated. In addition, any delays in completing our clinical trials will increase our costs, slow down our drug candidate development and approval process and jeopardize regulatory approval of our drug candidates and our ability to commence sales and generate revenues. The occurrence of any of these events could harm our business, financial condition, results of operations and prospects significantly.

***If we experience delays or difficulties in the enrollment of research subjects in clinical trials, those clinical trials could take longer than expected to complete and our receipt of necessary regulatory approvals could be delayed or prevented.***

We may not be able to initiate or continue clinical trials for our drug candidates if we are unable to locate and enroll a sufficient number of research subjects to participate in these trials. In particular, for some diseases and conditions we are or will be focused on, our pool of suitable patients may be smaller and more selective and our ability to enroll a sufficient number of suitable patients may be limited or take longer than anticipated. In addition, some of our competitors have ongoing clinical trials for drug candidates that treat the same indications as our drug candidates, and volunteers or patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' drug candidates.

Patient enrollment for any of our clinical trials may also be affected by other factors, including without limitation:

- the severity of the disease under investigation;
- the frequency of the molecular alteration we are seeking to target in the applicable trial;
- the eligibility criteria for the clinical trial in question;
- the perceived risks and benefits of the drug candidate under the clinical trial;
- the extent of the efforts to facilitate timely enrollment in clinical trials;
- the patient referral practices of physicians;
- the ability to monitor volunteers or patients adequately during and after treatment; and
- the proximity and availability of clinical trial sites.

Our inability to enroll a sufficient number of patients for our clinical trials would result in significant delays and could require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our drug candidates, and we may not have or be able to obtain sufficient cash to fund such increased costs when needed, which could result in the further delay or termination of the trial.

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***The review processes of regulatory authorities are lengthy, time consuming, expensive and inherently unpredictable. If we are unable to obtain approval for our drug candidates from applicable regulatory authorities, we will not be able to market and sell those drug candidates in those countries or regions and our business will be substantially harmed.***

The research, testing, manufacturing, labeling, approval, sale, marketing and distribution of drug products are, and will remain, subject to extensive regulation by the FDA in the United States and by the respective regulatory authorities in other countries, which regulations differ from country to country. We are not permitted to market our drug candidates in the United States until we receive the respective approval of a BLA from the FDA, or in any foreign countries until we receive the requisite approval from the respective regulatory authorities in such countries. The time required to obtain approval, if any, by the FDA, EMA 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. We have not submitted a BLA or similar filing (such as marketing authorization, or MA, from the European Medicines Agency, or EMA, for commercial sale in the European Union) or obtained regulatory approval for any drug candidate in any jurisdiction and it is possible that none of our existing drug candidates or any drug candidates we may seek to develop in the future will ever obtain regulatory approval.

Our drug candidates could fail to receive regulatory approval for many reasons, including any one or more of the following:

- the FDA, EMA or comparable foreign regulatory authorities may disagree with the design or implementation of our clinical trials;
- we may be unable to demonstrate to the satisfaction of the FDA, EMA or comparable foreign regulatory authorities that a drug candidate is safe and effective for its proposed indication;
- the results of clinical trials may not meet the level of statistical significance required by the FDA, EMA or comparable foreign regulatory authorities for approval;
- we may be unable to demonstrate that a drug candidate's clinical and other benefits outweigh its safety risks;
- the FDA, EMA or comparable foreign regulatory authorities may disagree with our interpretation of data from preclinical studies or clinical trials;
- the data collected from clinical trials of our drug candidates may not be sufficient to support the submission of a BLA or other submission or to obtain regulatory approval in the United States or elsewhere;
- the FDA, EMA or comparable foreign regulatory authorities may fail to approve the manufacturing processes or facilities of third-party manufacturers with which we contract for clinical and commercial supplies;
- the FDA, EMA or comparable foreign regulatory authorities may fail to approve the companion diagnostics we contemplate developing internally or with partners; and
- the approval policies or regulations of the FDA, EMA or comparable foreign regulatory authorities may significantly change in a manner rendering our clinical data insufficient for approval.

The time and expense of the approval process, as well as the unpredictability of future clinical trial results and other contributing factors, may result in our failure to obtain regulatory approval to market, in one or more jurisdictions, PRS-080, PRS-060, our discovery stage programs, such as the 300-Series, or any other drug candidates we may seek to develop in the future, which would significantly harm our business, results of operations and prospects. In such case, we may also not have the resources to conduct new clinical trials and/or we may determine that further clinical development of any such drug candidate is not justified and may discontinue any such programs.

In order to market and sell our products in any jurisdiction, we or our third party collaborators must obtain separate marketing approvals in that jurisdiction and comply with its regulatory requirements. The review and approval procedures can vary drastically among jurisdictions, and each jurisdiction may impose different testing and other requirements to obtain and maintain marketing approval. Further, the time required to obtain those approvals, if any, may differ substantially among jurisdictions. In addition, in many countries or regions outside the United States, it is required that the product be approved for reimbursement before the product can be approved for sale in that country or region. Moreover, approval by the FDA or an equivalent foreign authority does not ensure approval by regulatory authorities in any other countries or regions. As a result, the ability to market and sell a drug candidate in more than one jurisdiction can involve significant additional time, expense and effort to undertake separate approval processes, and would subject us and our collaborators to the numerous and varying post-approval requirements of each jurisdiction governing commercial sales, manufacturing, pricing and distribution of our drug candidates. We or any third parties with whom we may collaborate may not have the resources to pursue those approvals, and we or they may not be able to obtain any approvals that are pursued. The failure to obtain marketing approval for our drug candidates in foreign jurisdictions could severely limit their potential market and ability to generate revenue.

In addition, even if we were to obtain regulatory approval in one or more jurisdictions, regulatory authorities may approve any of our drug 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, or may approve a drug candidate with a label that does not include the labeling claims necessary or desirable for the successful commercialization of that drug candidate. Any of the foregoing circumstances could materially harm the commercial prospects for our drug candidates.

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***We may expend our limited resources to pursue a particular drug candidate or indication that does not produce any commercially viable products and may fail to capitalize on drug candidates or indications that may be more profitable or for which there is a greater likelihood of success.***

Because we have limited financial and managerial resources, we must focus our efforts on particular research programs and drug candidates for specific indications. As a result, we may forego or delay pursuit of opportunities with other drug candidates or for other indications that later prove to have greater commercial potential. Further, our resource allocation decisions may result in our use of funds for research and development programs and drug candidates for specific indications that may not yield any commercially viable products.

If we do not accurately evaluate the commercial potential or target market for a particular drug candidate, we may relinquish valuable rights to that drug candidate through collaboration, licensing or other royalty arrangements in cases in which it would have been more advantageous for us to retain sole development and commercialization rights to such drug candidate. Any such failure to improperly assess potential drug candidates could result in missed opportunities and/or our focus on drug candidates with low market potential, which would harm our business and financial condition.

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

***We rely on third parties to conduct our preclinical studies and clinical trials. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, we may not be able to obtain regulatory approval for our drug candidates and our business could be substantially harmed.***

We depend upon independent investigators and contractors, such as CROs, universities and medical institutions, to conduct our preclinical studies and clinical trials. We rely upon, and plan to continue to rely upon, such third-party entities to execute our preclinical studies and clinical trials and to monitor and manage data produced by and relating to those studies and trials. However, we may not be able to in the future establish arrangements with CROs when needed or on terms that are acceptable to us, or at all, which could negatively affect our development efforts with respect to our drug candidates and materially harm our business, operations and prospects. As a result of the use of third-party contractors, we will have only limited control over certain aspects of their activities. Nevertheless, we are responsible for ensuring that each of our studies, including each of our clinical trials, is conducted in accordance with the applicable protocol, legal and regulatory requirements as well as scientific standards, and our reliance on any third-party entity will not relieve us of our regulatory responsibilities.

Based on our present expectations, we and our third-party contractors will be required to comply with current Good Clinical Practice, or cGCP, for all of our drug candidates in clinical development. Regulatory authorities enforce cGCP through periodic inspections of trial sponsors, clinical investigators and trial sites. If we or any of our contractors fail to comply with applicable cGCP, the clinical data generated in the applicable trial may be deemed unreliable and the FDA, EMA or comparable foreign regulatory authorities may require us to perform additional clinical trials before approving a drug candidate for marketing, which we may not have sufficient cash or other resources to support and which would delay our ability to generate revenue from any sales of such drug candidate. Any agreements governing our relationships with outside contractors such as CROs, or CROs or other contractors we may engage in the future, may provide those outside contractors with certain rights to terminate a clinical trial under specified circumstances. If such an outside contractor terminates its relationship with us during the performance of a clinical trial, we would be forced to seek an engagement with a substitute contractor, which we may not be able to do on a timely basis or on commercially reasonable terms, if at all, and the applicable clinical trial would experience delays or may not be completed.

If our contractors do not successfully carry out their contractual duties or obligations or meet expected deadlines, if they need to be replaced or if the quality or accuracy of the data they obtain is compromised due to a failure to adhere to our clinical protocols, legal and regulatory requirements or for other reasons, our clinical trials may be extended, delayed or terminated and we may not be able to obtain regulatory approval for, or successfully commercialize, the affected drug candidates. In addition, we will be unable to control whether or not they devote sufficient time and resources to our preclinical and clinical programs. These outside contractors may not assign as great a priority to our programs or pursue them as diligently as we would if we were undertaking such programs ourselves. As a result, our operations and the commercial prospects for the effected drug candidates would be harmed, our costs could increase and our ability to generate revenues could be delayed. These contractors may also have relationships with other commercial entities, some of whom may compete with us. If our contractors assist our competitors to our detriment, our competitive position would be harmed.

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***We rely and expect to continue to rely completely on third parties to formulate and manufacture our preclinical, clinical trial and post-approval drug supplies. The development and commercialization of any of our drug candidates could be stopped, delayed or made less profitable if those third parties fail to provide us with sufficient quantities of such drug supplies or fail to do so at acceptable quality levels, including in accordance with applicable regulatory requirements or contractual obligations and our operations could be harmed as a result.***

We have no experience in drug formulation or manufacturing. We do not currently have, nor do we plan to acquire, the infrastructure or capability internally, such as our own manufacturing facilities, to manufacture our preclinical and clinical drug supplies for use in the conduct of our clinical trials or commercial quantities of any drug candidates that may obtain regulatory approval. Therefore, we lack the resources and expertise to formulate or manufacture our own drug candidates. We have entered into agreements with third-party manufacture contractors, or CMOs, for the clinical-stage manufacture of certain of our drug candidates, including PRS-080. We plan to enter into agreements with one or more manufacturers to manufacture, supply, store and distribute drug supplies for our current and future clinical trials and/or commercial sales. We intend to establish or continue those relationships for the supply of our drug candidates, however, there can be no assurance that we will be able to retain those relationships on commercially reasonable terms, if at all. If we are unable to maintain those relationships, we could experience delays in our development efforts as we locate and qualify new CMOs. If any of our current drug candidates or any drug candidates we may develop or acquire in the future receive regulatory approval, we will rely on one or more CMOs to manufacture the commercial supply of such drugs.

Our reliance on a limited number of CMOs exposes us to the following risks:

- We may be unable to identify manufacturers on acceptable terms, or at all, because the number of potential manufacturers is limited and the FDA must approve any replacement contractor. This approval would require new testing and compliance inspections. In addition, a new manufacturer would have to be educated in, or develop substantially equivalent processes for, production of our products after receipt of FDA approval, if any.
- Our third-party manufacturers might be unable to formulate and manufacture our drugs in the volume and of the quality required to meet our clinical needs and commercial needs, if any.
- Our future contract manufacturers may not perform as contractually agreed or may not remain in the contract manufacturing business for the time required to supply our clinical trials or to successfully produce, store and distribute our products.
- Drug manufacturers are subject to ongoing periodic unannounced inspection by the FDA, the Drug Enforcement Administration, and corresponding state agencies to ensure strict compliance with cGMP regulations and other government regulations and corresponding foreign standards. We do not have control over third-party manufacturers' compliance with these regulations and standards.
- If any third-party manufacturer makes improvements in the manufacturing process for our products, we may not own, or may have to share, the intellectual property rights to the innovation.

Each of these risks could delay our clinical trials, the approval, if any, of our drug candidates by the FDA or the commercialization of our drug candidates or result in higher costs or deprive us of potential product revenues.

We expect to have no control over the ability of our contract manufacturers to maintain adequate quality control, quality assurance and qualified personnel. If any of our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA, EMA or other comparable foreign authorities, we would be prevented from obtaining regulatory approval for our drug candidates unless and until we engage a substitute contract manufacturer that can comply with such requirements, which we may not be able to do. Any such failure by any of our contract manufacturers would significantly impact our ability to develop, obtain regulatory approval for or market our drug candidates, if approved.

Further, we plan to rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce our drug candidates for our clinical trials. We do not have, nor do we expect to enter into, any agreements for the commercial production of these raw materials, and we do not expect to have any control over the process or timing of our contract manufacturers' acquisition of raw materials needed to produce our drug candidates. Any significant delay in the supply of a drug candidate or the raw material components thereof for an ongoing clinical trial due to a manufacturer's need to replace a third-party supplier of raw materials could considerably delay completion of our clinical trials, product testing and potential regulatory approval of our drug candidates. Additionally, if our future manufacturers or we are unable to purchase these raw materials to commercially produce any of our drug candidates that gains regulatory approvals, the commercial launch of our drug candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of our drug candidates.



***Disagreements with respect to the commercial terms of our sales, licensing, purchase or manufacturing agreements may limit our commercial success.***

The rights and obligations of the partners to which we may license our Anticalin® technology are governed by the licensing and collaboration agreements we enter into with those partners. In addition, our relationships with CROs and CMOs are governed by the service agreements between us and each manufacturer. Although we attempt to address the full range of possible events that may occur during the development or the manufacturing of Anticalin drug candidates and products, unanticipated or extraordinary events may occur beyond those contemplated by said agreements. Furthermore, our business relationships with our product manufacturers and our collaborators may include assumptions, understandings or agreements that are not included in our agreements with them, or that are inaccurately or incompletely represented by their terms. In addition, key terms in such agreements may be misunderstood or contested, even when both we and the other party previously believed that we had a mutual understanding of our obligations.

Any differences in interpretation or misunderstandings between us and other parties may result in substantial costs and delays with respect to the development, manufacturing or sale of Anticalin® drugs, and may negatively impact our revenues and operating results. Product manufacturers may fail to produce the products and partners may fail to develop the drug candidates under the timeline or in the manner we anticipated, and results may differ from the terms upon which we had agreed. As a result, we may be unable to supply drugs of the quality or in the quantity demanded or required. We may suffer harm to our reputation in the market from missed development goals or deadlines, and may be unable to capitalize upon market opportunities as a result. Resolution of these problems may entail costly and lengthy litigation or dispute resolution procedures. In addition, there is no guarantee that we will prevail in any such dispute or, if we do prevail, that any remedy we receive, whether legal or otherwise, will adequately redress the harm we have suffered. The delays and costs associated with such disputes may themselves harm our business and reputation and limit our ability to successfully compete in the market going forward.

**Risks Related to the Commercialization of Our Drug Candidates**

***Even if we receive regulatory approval for any of our drug candidates, we will be subject to ongoing regulatory obligations and review. Maintaining compliance with ongoing regulatory requirements may result in significant additional expense to us, and any failure to maintain such compliance could subject us to penalties and cause our business to suffer.***

Any regulatory approvals that we receive for our drug candidates may be subject to limitations on the approved indicated uses for which the products may be marketed, or contain requirements for potentially costly post-marketing testing, including Phase IV clinical trials. In addition, if the FDA, EMA or a comparable foreign regulatory authority approves any of our drug candidates, the manufacturing processes, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for the products will be subject to extensive and ongoing regulatory requirements. These requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP. Later discovery of previously unknown problems with a product, including adverse events of unanticipated severity or frequency, or with our third-party manufacturers or manufacturing processes, or failure to comply with regulatory requirements, may result in, among other things:

- restrictions on the marketing or manufacturing of the product, complete withdrawal of the product from the market or product recalls;
- fines or warning letters;
- refusal of the FDA or other applicable regulatory authority to approve pending applications or supplements to approved applications;
- product seizure or detention, or refusal to permit the import or export of products; and
- consent decrees, injunctions or the imposition of civil or criminal penalties.

In addition, regulatory authorities' policies (such as those of the FDA or EMA) may change and additional government regulations may be enacted that could prevent, limit or delay regulatory approval of our drug candidates. If we are slow or unable to adapt to changes in existing requirements or the adoption of new requirements or policies, or if we are otherwise not able to maintain regulatory compliance, we may lose any marketing approval that we may have obtained, which would adversely affect our business, prospects and ability to achieve or sustain profitability.



***Our commercial success depends upon attaining significant market acceptance of our drug candidates, if approved, among physicians, patients, healthcare payors and other members of the medical community.***

Even if we obtain regulatory approval for our drug candidates, the products may not gain market acceptance among physicians, health care payors, patients and other members of the medical community, which is critical to commercial success. Market acceptance of any drug candidate for which we receive approval depends on a number of factors, including:

- perceptions by the medical community, physicians, and patients, regarding the safety and effectiveness of our products;
- the size of the markets for the drug candidate, based on the size of the patient subsets that we are targeting, in the territories for which we gain regulatory approval and have commercial rights;
- the potential and perceived advantages of the drug candidate over alternative treatments;
- the safety of the drug candidate as demonstrated through broad commercial distribution;
- the availability of adequate reimbursement and pricing for our products from governmental health programs and other third-party payors;
- relative convenience and ease of administration;
- cost-effectiveness of our product relative to competing products;
- the prevalence and severity of adverse effects; and
- the effectiveness of sales, marketing and distribution efforts by us and our licensees and distributors, if any.

If our drug candidates are approved but fail to achieve an adequate level of acceptance by key market participants, we will not be able to generate significant revenues, and we may not become or remain profitable, which may require us to seek additional financing.

***Reimbursement may be limited or unavailable in certain market segments for our drug candidates, which could make it difficult for us to sell on a profitable basis any products for which we obtain marketing approvals.***

There is significant uncertainty related to the third-party coverage and reimbursement of newly approved drugs. Market acceptance and successful commercialization of any of our drug candidates that obtain regulatory approval in domestic or international markets will depend significantly on the availability of adequate coverage and reimbursement from governmental authorities, private health insurers and other third-party payors for any of our drug candidates, and may be affected by existing and future healthcare reform measures.

Pricing and reimbursement for any of our drug candidates that obtain regulatory approval is uncertain. Government authorities, private health insurers and other third-party payors decide which drugs they will cover and establish reimbursement levels for them, and obtaining coverage and reimbursement approval for a product from any such third-party payors is a time consuming and costly process. Third-party payors also are increasingly challenging the effectiveness of and prices charged for medical products and services. As a result, any denial of private or government payor coverage or inadequate reimbursement for our drug candidates, if any are commercialized, could harm our business and reduce our prospects for generating revenue.

Further, there have been, and may continue to be, legislative and regulatory proposals at the federal and state levels and in foreign jurisdictions directed at broadening the availability and containing or lowering the cost of healthcare. The continuing efforts of the government, insurance companies, managed care organizations and other third-party payors to contain or reduce costs of healthcare may adversely affect our ability to set prices for our products that would allow us to achieve or sustain profitability. In addition, governments may impose price controls on any of our products that obtain marketing approval, which may adversely affect our future profitability.

In some foreign countries, particularly in the European Union, the pricing of prescription pharmaceuticals is subject to governmental control. In these countries, pricing negotiations with governmental authorities can be a long and expensive process after the receipt of marketing approval for a drug candidate. To obtain reimbursement or pricing approval in some countries, we may be required to conduct additional clinical trials that compare the cost-effectiveness of our drug candidates to other available therapies. If reimbursement of our drug candidates is unavailable or limited in scope or amount in a particular country, or if pricing is set at unsatisfactory levels, we may be unable to achieve or sustain profitability for sales of any of our drug candidates that are approved for marketing in that country.

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***We have no experience selling, marketing or distributing products and currently have no internal marketing and sales force. If we are unable to establish effective marketing and sales capabilities or enter into agreements with third parties to market and sell our drug candidates, we may not be able to effectively market and sell our drug candidates, if approved, or generate product revenues.***

We currently have no sales, marketing or distribution capabilities and there can be no assurance that we will be able to market and sell our products in the United States or overseas. In order to commercialize any drug candidates, we must build on a territory-by-territory basis marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services, and we may not be successful in doing so. Therefore, with respect to the commercialization of all or certain of our drug candidates, we may choose to collaborate, either globally or on a territory-by-territory basis, with third parties that have direct sales forces and established distribution systems, either to augment our own sales force and distribution systems or in lieu of our own sales force and distribution systems. If so, our success will depend, in part, on our ability to enter into and maintain collaborative relationships for such capabilities, such collaborator's strategic interest in the products under development and such collaborator's ability to successfully market and sell any such products.

If we are unable to enter into such arrangements when needed on acceptable terms or at all, we may not be able to successfully commercialize any of our drug candidates that receive regulatory approval or any such commercialization may experience delays or limitations. Further, 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.

To the extent that we decide not to, or are unable to, enter into collaborative arrangements with respect to the sales and marketing of our products, we may in the future need to establish an internal sales and marketing team with technical expertise and supporting distribution capabilities to commercialize our drug candidates, which could be expensive and time consuming and which would require significant attention of our executive officers to manage. Further, we may not have sufficient resources to allocate to the sales and marketing of our products.

Any failure or delay in the development of sales, marketing and distribution capabilities, either through collaboration with one or more third parties or through internal efforts, would adversely impact the commercialization of any of our products that we obtain approval to market. As a result, our future product revenue will suffer and we may incur significant additional losses.

***We face significant competition from other biotechnology and pharmaceutical companies, and our operating results will suffer if we fail to compete effectively.***

The biotechnology and pharmaceutical industries are intensely competitive and subject to rapid and significant technological advances. In addition, the competition in the anemia and asthma markets is intense. We have competitors both in the United States and internationally, including major multinational pharmaceutical companies, fully integrated pharmaceutical or biotechnology companies, smaller companies that are collaborating with larger pharmaceutical companies, academic institutions, and other public and private research organizations. Existing or future competing products may provide greater therapeutic convenience or clinical or other benefits for a specific indication than our products, or may offer comparable performance at a lower cost. If our products fail to capture and maintain market share, we may not achieve sufficient product revenue and our business will suffer.

Many of our competitors have substantially greater financial, technical and other resources than we do, such as larger research and development staff and experienced marketing and manufacturing organizations, as well as significantly greater experience in:

- developing drugs;
- undertaking preclinical testing and clinical trials;
- obtaining FDA and other regulatory approvals of drugs;
- prosecuting and enforcing intellectual property rights;
- formulating and manufacturing drugs; and
- launching, marketing and selling drugs.

Established pharmaceutical companies may invest heavily to accelerate discovery and development of or in-license novel compounds that could make our drug candidates less competitive. In addition, any new product that competes with an approved product must demonstrate compelling advantages in efficacy, convenience, tolerability and safety in order to overcome price competition and to be commercially successful. Accordingly, our competitors may succeed in obtaining patent protection, receiving FDA, EMA or other regulatory approval, or discovering, developing and commercializing medicines before we do, which would have a material adverse effect on our business and ability to achieve profitability from future sales of our approved drug candidates, if any. For additional information about our competitors, please see "Business—Competition."

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***We could be subject to product liability lawsuits based on the use of our drug candidates in clinical testing or, if obtained, following marketing approval and commercialization. If product liability lawsuits are brought against us, we may incur substantial liabilities and may be required to cease clinical testing or limit commercialization of our drug candidates.***

We could be subject to product liability lawsuits if any drug candidate we develop allegedly causes injury or is found to be otherwise unsuitable for human use during product testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability and a breach of warranties. Claims could also be asserted under state consumer protection acts.

Our inability to obtain and retain sufficient product liability insurance at an acceptable cost to protect against potential product liability claims could prevent or inhibit the clinical testing and commercialization of products we develop on our own or with collaborators. We do not currently carry general product liability insurance. We have put in place applicable product liability insurance, covering us as sponsor and the investigators involved in our Phase I clinical trial of PRS-080. In the future, we will seek to obtain similar insurance coverage with respect to any future clinical trials of our other drug candidates, such as PRS-060, but we may not be able to obtain the levels of coverage desired on acceptable terms, or at all. If we do secure product liability insurance, we may subsequently determine that additional amounts of coverage would be desirable at later stages of clinical development of our drug candidates or upon commencing commercialization of any drug candidate that obtains required approvals, but we may not be able to obtain such additional coverage amounts when needed on acceptable terms, or at all. Unless and until we obtain such insurance, we would be solely responsible for any product liability claims relating to our preclinical and clinical development activities. Further, even after any such insurance coverage is obtained, any claim that may be brought against us could result in a court judgment or settlement in an amount that is not covered, in whole or in part, by any insurance policies we may then have or that is in excess of the limits of our insurance coverage. We would be required to pay any amounts awarded by a court or negotiated in a settlement that exceed the coverage limitations or that are not covered by any product liability insurance we may obtain, and we may not have, or be able to obtain, sufficient capital to pay such amounts.

### **Risks Related to Managing Any Growth We May Experience**

***We will need to grow the size of our organization, and we may not successfully manage any growth we may achieve.***

Our success will depend upon the expansion of our operations and our ability to successfully manage our growth. Our future growth, if any, may place a significant strain on our management and on our administrative, operational and financial resources and require us to implement and improve our operational, financial and management systems.

In addition, our ability to manage our growth effectively will hinge upon our ability to expand, train, manage and motivate our employees. As of the date of this report, we have 25 full-time employees and seven part-time employees. As our development and commercialization plans and strategies develop, these demands may also require the hiring of additional research, development, managerial, operational, sales, marketing, financial, accounting, legal and other personnel.

Moreover, future growth could require the development of additional expertise by management and impose significant added responsibilities on members of management, including:

- effectively managing our clinical trials and submissions to regulatory authorities for marketing approvals;
- effectively managing our internal research and development efforts such as discovery research and preclinical development;
- identifying, recruiting, maintaining, motivating and integrating additional employees;
- effectively managing our internal and external business development efforts with current or future partners, such as entering into additional collaboration arrangements and increasing out-licensing revenues;
- establishing relationships with third parties essential to our business and ensuring compliance with our contractual obligations to such third parties;
- developing and managing new divisions of our internal business, including any sales and marketing segment we elect to establish;
- maintaining our compliance with public company reporting and other obligations, including establishing and maintaining effective internal control over financial reporting and disclosure controls and procedures; and
- improving our managerial, development, operational and finance systems.

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We may not be able to accomplish any of those tasks, and our failure to do so could prevent us from effectively managing future growth, if any, and successfully growing our Company.

Any increase in resources devoted to research and product development without a corresponding increase in our operational, financial and management systems, could have a material adverse effect on our business, financial condition and results of operations.

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

We are subject to numerous environmental, health and safety laws and regulations, including those governing laboratory procedures and the handling, use, storage, treatment and disposal of hazardous materials and wastes. Our operations involve the use of hazardous and flammable materials, including chemicals and biological materials. Our operations also produce hazardous waste products. We generally contract with third parties for the disposal of any hazardous materials we use and wastes we produce. The use of these materials in our business could result in contamination or injury, which could cause damage for which we may be responsible but may not have sufficient resources to pay. We also could incur significant costs associated with civil or criminal fines and penalties for failure to comply with these laws and regulations, which we may not be able to afford.

Although we maintain workers' compensation insurance for our operations in Germany to cover us for costs and expenses we may incur due to injuries to our employees resulting from the use of hazardous materials, this insurance may not provide adequate coverage against potential liabilities. We do not maintain insurance for environmental liability or toxic tort claims that may be asserted against us in connection with our storage or disposal of biological, hazardous or radioactive materials.

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations applicable to us. These current or future laws and regulations may impair our research, development or production efforts or impact the research activities we pursue, particularly with respect to research involving human subjects or animal testing. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions, which could cause our financial condition to suffer.

***Health and safety regulations in the United States, Germany and in the countries where our technology and potential products are licensed or sold may prevent the sale or use of our technology or products in the future.***

We are subject to a variety of regulations regarding worker health and safety in the United States, Germany and in the countries where our technology and potential products are licensed or sold. Because our technology and potential products may frequently involve the manufacture or use of certain chemical or biological compounds, we are required to certify their safety for industrial use and development in a variety of countries and contexts. As there has not been sufficient testing to determine the long-term health and environmental risks of all of the materials used in the production of Anticalin® products, future regulations may ban the use of our products due to the potential risk they pose to workers or may limit the use of our drug candidates in research and commercial settings. Any such regulations may have a substantial negative impact on our business and revenues, and may cause our business to fail. Because we cannot guarantee the long-term safety of use or exposure to materials used during development or manufacture of our products, we may face liability for health risks or harms caused as a result of developing, manufacturing or other processes that use such materials. Any such claims may have a negative impact on our revenues and may prove substantially disruptive to our business in the future.

In addition, under the European Union regulation on classification, labeling and packaging of substances and mixtures, or CLP, we may be required to publicly disclose the composition of our proprietary products or substances, which may facilitate infringement or avoidance of our intellectual property by third parties and may potentially reduce the margin we are able to charge for our products by allowing competitors to more accurately determine our production costs. Future development of the CLP regulation may have a further negative impact our revenues and a substantial negative impact on our business.

***Our ability to utilize our net operating loss carryforwards and certain other tax attributes may be limited or eliminated as a result of the Acquisition or any other ownership change.***

We have incurred substantial losses during our history and do not expect to become profitable in the foreseeable future and may never achieve profitability. Our net profit of \$0.1 million for the year ended December 31, 2013 is not indicative of a trend. To the extent we continue to generate taxable losses, unused losses will carry forward to offset future taxable income, if any, until such unused losses expire or forfeit.

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Tax losses under German corporate income tax and trade tax may be used to offset taxable income and trade profit attributable to the same taxpayer, or loss holding entity, within the boundaries of German tax law. As of December 31, 2013, Pieris Operating had net operating loss carryforwards of German corporate income tax of \$58.5 million and of trade tax of \$57.2 million. Under current laws, tax loss carryforwards may only be used to offset in any relevant later assessment period (calendar year) €1,000,000 (\$1,377,900) plus 60% of the exceeding taxable income and trade profit of such period. Also, certain transactions, including transfers of shares or interest in the loss holding entity, may result in the partial or total forfeiture of tax losses existing at that date. Partial or total forfeiture of tax losses may further occur in corporate reorganizations of the loss holding entity.

Pieris Operating experienced an ownership change as a result of the Acquisition, and as a result may have lost some or all of the unused German corporate income and trade tax losses carryforwards existing or realized at the time of the Acquisition (including carryforwards). Any forfeiture of such tax losses due to the Acquisition, or due to any other such ownership change, could have an adverse effect on our results of operations.

***Our business and operations would suffer in the event of system failures, and our operations are vulnerable to interruption by natural disasters, terrorist activity, power loss and other events beyond our control, the occurrence of which could materially harm our business.***

Despite the implementation of security measures, our internal computer systems and those of our contractors and consultants are vulnerable to damage from computer viruses, unauthorized access as well as telecommunication and electrical failures. While we have not experienced any such system failure, accident or security breach to date, 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 we may incur substantial costs to attempt to recover or reproduce the data. If any disruption or security breach resulted in a loss of or damage to our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and/or the further development of our drug candidates could be delayed.

We are also vulnerable to accidents, electrical blackouts, labor strikes, terrorist activities, war and other natural disasters and other events beyond our control, and we have not undertaken a systematic analysis of the potential consequences to our business as a result of any such events and do not have an applicable recovery plan in place. Except for our operations in Germany, where we have business interruption insurance against losses or damages resulting from fire, we do not carry other business interruption insurance that would compensate us for actual losses from interruptions of our business that may occur, and any losses or damages incurred by us could cause our business to materially suffer.

***There could be an adverse change or increase in the laws and/or regulations governing our business.***

We and our operating subsidiary are subject to various laws and regulations in different jurisdictions, and the interpretation and enforcement of laws and regulations are subject to change. We are also subject to different tax regulations in each of the jurisdictions where we conduct our business or where our management or the management of our operating subsidiary is located. We expect the scope and extent of regulation in the jurisdictions in which we conduct our business, or where our management or the management of our operating subsidiary is located, as well as regulatory oversight and supervision, to generally continue to increase. There can be no assurance that future regulatory, judicial and legislative changes in any jurisdiction will not have a material adverse effect on us or hinder us in the operation of its business.

***We may engage in future acquisitions that could disrupt our business, cause dilution to our stockholders and harm our financial condition and operating results.***

While we currently have no specific plans to acquire any other businesses, we may, in the future, make acquisitions of, or investments in, companies that we believe have products or capabilities that are a strategic or commercial fit with our current business or otherwise offer opportunities for our company. In connection with these acquisitions or investments, we may:

- issue common stock or other forms of equity that would dilute our existing stockholders' percentage of ownership;
- incur debt and assume liabilities; and
- incur amortization expenses related to intangible assets or incur large and immediate write-offs.

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We may not be able to complete acquisitions on favorable terms, if at all. If we do complete an acquisition, we cannot assure you that it will ultimately strengthen our competitive position or that it will be viewed positively by customers, financial markets or investors. Furthermore, future acquisitions could pose numerous additional risks to our operations, including:

- problems integrating the purchased business, products or technologies;
- challenges in achieving strategic objectives, cost savings and other anticipated benefits;
- increases to our expenses;
- the assumption of significant liabilities that exceed the limitations of any applicable indemnification provisions or the financial resources of any indemnifying party;
- inability to maintain relationships with key customers, vendors and other business partners of the acquired businesses;
- diversion of management's attention from their day-to-day responsibilities;
- difficulty in maintaining controls, procedures and policies during the transition and integration;
- entrance into marketplaces where we have no or limited prior experience and where competitors have stronger marketplace positions;
- potential loss of key employees, particularly those of the acquired entity; and
- that historical financial information may not be representative or indicative of our results as a combined company.

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

***If we breach any of the agreements under which we license from third parties the intellectual property rights or commercialization rights to our drug candidates, particularly our license agreement with TUM, we could lose license rights that are important to our business and our operations could be materially harmed.***

Under the TUM License Agreement, we in-license significant intellectual property related to our Anticalin® platforms. For more information about the TUM License Agreement, see “Business—TUM License Agreement.” We are also currently in a dispute with TUM, which is described in more detail under “Business—Legal Proceedings—Arbitration Proceeding with Technische Universität München”.

In addition to the TUM License Agreement, we may seek to enter into additional agreements with other third parties in the future granting similar license rights with respect to other potential drug candidates. If we fail to comply with any of the conditions or obligations or otherwise breach the terms of our license agreement with TUM, or any future license agreement we may enter on which our business or drug candidates are dependent, TUM or other licensors may have the right to terminate the applicable agreement in whole or in part and thereby extinguish our rights to the licensed technology and intellectual property and/or any rights we have acquired to develop and commercialize certain drug candidates, including, with respect to our license agreement with TUM, our Anticalin® drug therapies. Under the TUM License Agreement, we can terminate the licenses to any or all licensed patents upon specified advance notice to TUM. TUM may terminate the license provisions of the agreement only for cause. Termination of the agreement does not terminate our rights in patents assigned to us but would terminate our rights to patents licensed to us under the agreement. The loss of the rights licensed to us under our license agreement with TUM, or any future license agreement that we may enter granting us rights on which our business or drug candidates are dependent, would eliminate our ability to further develop the applicable drug candidates and would materially harm our business, prospects, financial condition and results of operations.

***If our efforts to protect the proprietary nature of the intellectual property related to our technologies are not adequate, we may not be able to compete effectively and our business would be harmed.***

We rely upon a combination of patents, trade secret protection and confidentiality agreements to protect the intellectual property related to our technologies. Any disclosure to, or misappropriation by, third parties of our proprietary information could enable competitors to quickly duplicate or surpass our technological achievements, thus eroding any competitive advantage we may derive from the proprietary information.

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The strength of patents in the biotechnology and pharmaceutical fields can be uncertain and involve complex legal and scientific questions. No consistent policy regarding the breadth of claims allowed in patents has emerged to date in the United States. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced, or that the scope of any patent rights could provide a sufficient degree of protection that could permit us to gain or keep our competitive advantage with respect to these products and technologies. For example, we cannot predict:

- the degree and range of protection any patents will afford us against competitors, including whether third parties will find ways to make, use, sell, offer to sell or import competitive products without infringing our patents;
- if and when patents will be issued;
- whether or not others will obtain patents claiming inventions similar to those covered by our patents and patent applications; or
- whether we will need to initiate litigation or administrative proceedings (e.g. at the United State Patent and Trademark Office, or the USPTO, or the European Patent Office, or the EPO) in connection with patent rights, which may be costly whether we win or lose.

As a result, the patent applications we own or license may fail to result in issued patents in the United States or in foreign countries. Third parties may challenge the validity, enforceability or scope of any issued patents we own or license or any applications that may successfully issue in the future, which may result in those patents being narrowed, invalidated or held unenforceable. Even if they are unchallenged, our patents and patent applications may not adequately protect our intellectual property or prevent others from developing similar products that do not infringe the claims made in our patents. If the breadth or strength of protection provided by the patents we hold or pursue is threatened, our ability to commercialize any drug candidates with technology protected by those patents could be threatened. Further, if we encounter delays in our clinical trials, the period of time during which we would have patent protection for any covered drug candidates that obtain regulatory approval would be reduced. Since patent applications in the United States and most other countries are confidential for a period of time after filing, we cannot be certain at the time of filing that we are the first to file any patent application related to our drug candidates.

While patent term extensions under the Hatch-Waxman Act in the United States and under supplementary protection certificates in Europe may be available to extend our patent exclusivity for our drug candidates, the applicable patents may not meet the specified conditions for eligibility for any such term extension and, even if eligible, we may not be able to obtain any such term extension. Further, because filing, prosecuting and defending patents in multiple jurisdictions can be expensive, we may elect to pursue patent protection relating to our drug candidates in only certain jurisdictions. As a result, competitors would be permitted to use our technologies in jurisdictions where we have not obtained patent protection to develop their own products, any of which could compete with our drug candidates.

In addition to the protection afforded by patents, we seek to rely on trade secret protection and confidentiality agreements to protect proprietary know-how that is not patentable, processes for which patents are difficult to enforce and any other elements of our discovery platform and drug development processes that involve proprietary know-how, information or technology that is not covered by patents. Although we require all of our employees and certain consultants and advisors to assign inventions to us, and all of our employees, consultants, advisors and any third parties who have access to our proprietary know-how, information or technology to enter into confidentiality agreements, our trade secrets and other proprietary information may be disclosed or competitors may otherwise gain access to such information or independently develop substantially equivalent information. Further, the laws of some foreign countries do not protect proprietary rights to the same extent or in the same manner as the laws of the United States. As a result, we may encounter significant difficulty in protecting and defending our intellectual property both in the United States and abroad. If we are unable to prevent material disclosure of the intellectual property related to our technologies to third parties, we will not be able to establish or maintain the competitive advantage that we believe is provided by such intellectual property, which could materially adversely affect our market position and business and operational results.

### ***Claims that we infringe the intellectual property rights of others may prevent or delay our drug discovery and development efforts.***

Our research, development and commercialization activities, as well as any drug candidates or products resulting from those activities, may infringe or be accused of infringing a patent or other form of intellectual property under which we do not hold a license or other rights. Third parties may assert that we are employing their proprietary technology without authorization.

There may be third-party patents of which we are currently unaware with claims that cover the use or manufacture of our drug candidates. Because patent applications can take many years to issue, there may be currently pending patent applications that may later result in issued patents that our drug candidates may infringe. In addition, third parties may obtain patents in the future and claim that use of our drug candidates infringes upon these patents. If our activities or drug candidates infringe the patents or other intellectual property rights of third parties, the holders of such intellectual property rights may be able to block our ability to commercialize such drug candidates unless we obtain a license under the intellectual property rights or until any applicable patents expire or are determined to be invalid or unenforceable.



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Defense of any intellectual property infringement claims against us, regardless of their merit, would involve substantial litigation expense and would be a significant diversion of resources from our business. In the event of a successful claim of infringement against us, we may have to pay substantial damages, obtain one or more licenses from third parties, limit our business to avoid the infringing activities, pay royalties and/or redesign our infringing drug candidates or alter related formulations, processes, methods or other technologies, any or all of which may be impossible or require substantial time and monetary expenditure. Further, if we were to seek a license from the third party holder of any applicable intellectual property rights, we may not be able to obtain the applicable license rights when needed or on reasonable terms, or at all. Some of our competitors may be able to sustain the costs of complex patent litigation or proceeding more effectively than us because they have substantially greater resources. The occurrence of any of the above events could prevent us from continuing to develop and commercialize one or more of our drug candidates and our business could materially suffer.

***We may desire to, or be forced to, seek additional licenses to use intellectual property owned by third parties, and such licenses may not be available on commercially reasonable terms or at all.***

In addition to TUM, other third parties may also hold intellectual property, including patent rights, that are important or necessary to the development of our drug candidates, in which case we would need to obtain a license from that third party or develop a different formulation of the product that does not infringe upon the applicable intellectual property, which may not be possible. Additionally, we may identify drug candidates that we believe are promising and whose development and other intellectual property rights are held by third parties. In such a case, we may desire to seek a license to pursue the development of those drug candidates. Any license that we may desire to obtain or that we may be forced to pursue may not be available when needed on commercially reasonable terms or at all. Any inability to secure a license that we need or desire could have a material adverse effect on our business, financial condition and prospects.

***The patent protection covering some of our drug candidates may be dependent on third parties, who may not effectively maintain that protection.***

While we expect that we will seek to gain the right to fully prosecute any patents covering drug candidates we may in-license from third-party owners, it is possible that the platform technology patents that cover our drug candidates remain controlled by our licensors. Similarly, some of our future licensing partners may retain the right, or may seek the rights, to prosecute patents covering the drug candidates we license to them and we may grant such rights to those partners for business reasons. If such third parties fail to appropriately maintain that patent protection, we may not be able to prevent competitors from developing and selling competing products and our ability to generate revenue from any commercialization of the affected drug candidates may suffer.

***Certain technologies and patents have been developed with partners and we may face restrictions on this jointly-developed intellectual property.***

We have entered into agreements with a number of commercial partners, including university partners, which cover intellectual property. We have, in some cases individually and in other cases along with our partners, filed for patent protection for a number of technologies developed under these agreements and may in the future file for further intellectual property protection and/or seek to commercialize such technologies. Under some of these agreements, certain intellectual property developed by us and the relevant partner may be subject to joint ownership by us and the partner and our commercial use of such intellectual property may be restricted, or may require written consent from, or a separate agreement with, the partner. In other cases, we may not have any rights to use intellectual property solely developed and owned by the partner. If we cannot obtain commercial use rights for such jointly-owned intellectual property or partner-owned intellectual property, our future product development and commercialization plans may be adversely affected.

***We may be involved in lawsuits to protect or enforce our patents or the patents of our licensors, which could be expensive, time-consuming and unsuccessful.***

Competitors may infringe our patents or the patents of our current or potential licensors. To attempt to stop infringement or unauthorized use, we may need to file infringement claims, which can be expensive and time-consuming and distract management.

If we pursue any infringement proceeding, a court may decide that a patent of ours or our licensors is not valid or is unenforceable, or may refuse to stop the other party from using the relevant technology on the grounds that our patents do not cover the technology in question. Further, the legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of

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patents, which could reduce the likelihood of success of, or the amount of damages that could be awarded resulting from, any infringement proceeding we pursue in any such jurisdiction. An adverse result in any infringement litigation or defense proceedings could put one or more of our patents at risk of being invalidated, held unenforceable, or interpreted narrowly and could put our patent applications at risk of not issuing, which could limit the ability of our drug candidates to compete in those jurisdictions.

Interference proceedings provoked by third parties or brought by the USPTO or at its foreign counterparts (such as the EPO) to determine the priority of inventions with respect to our patents or patent applications or those of our licensors. An unfavorable outcome could require us to cease using the related technology or to attempt to license rights to use it from the prevailing party. Our business could be harmed if the prevailing party does not offer us a license on commercially reasonable terms, or at all.

Litigation or interference proceedings may fail and, even if successful, may result in substantial costs and distract our management and other employees.

### ***If we are unable to protect the confidentiality of our trade secrets, our business and competitive position would be harmed.***

In addition to seeking patents for our Anticalin®-brand technology and some of our drug candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We currently, and expect in the future to continue to, seek to protect these trade secrets, in part, by entering into confidentiality agreements with parties who have access to them, such as our employees, collaborators, contract manufacturers, consultants, advisors, investigators and other third parties. We also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for any such disclosure. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. In addition, some courts inside and outside the United States are less willing or unwilling to protect trade secrets. If any of our trade secrets were to be lawfully obtained or independently developed by a competitor, we would have no right to prevent them, or those to whom they disclose the trade secrets, 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 competitive position would be harmed.

### ***If we fail to protect our trademark rights, competitors may be able to take advantage of our goodwill, which would weaken our competitive position, reduce our revenues and increase our costs.***

We believe that the protection of our trademark rights is an important factor in product recognition, maintaining goodwill, and maintaining or increasing market share. We may expend substantial cost and effort in an attempt to register, maintain and enforce our trademark rights. If we do not adequately protect our rights in our trademarks from infringement, any goodwill that we have developed in those trademarks could be lost or impaired.

Third parties may claim that the sale or promotion of our products, when and if we have any, may infringe on the trademark rights of others. Trademark infringement problems occur frequently in connection with the sale and marketing of pharmaceutical products. If we become involved in any dispute regarding our trademark rights, regardless of whether we prevail, we could be required to engage in costly, distracting and time-consuming litigation that could harm our business. If the trademarks we use are found to infringe upon the trademark of another company, we could be liable for damages and be forced to stop using those trademarks, and as result, we could lose all the goodwill that has been developed in those trademarks.

### ***Certain of our employees and their inventions are subject to German law.***

Almost all of the employees of Pieris Operating work in Germany and are subject to German employment law. Ideas, developments, discoveries and inventions made by such employees and consultants are subject to the provisions of the German Act on Employees' Inventions (*Gesetz über Arbeitnehmererfindungen*), which regulates the ownership of, and compensation for, inventions made by employees. We face the risk that disputes can occur between us and such employees or ex-employees pertaining to alleged non-adherence to the provisions of this act that may be costly to defend and take up our management's time and efforts whether we prevail or fail in such dispute. In addition, under the German Act on Employees' Inventions, certain employees retained rights to patents they invented or co-invented prior to 2009. Although most of these employees have subsequently assigned their interest in these patents to us, there is a risk that the compensation we provided to them may be deemed to be insufficient and we may be required under German law to increase the compensation due to such employees for the use of the patents. In those cases where employees have not assigned their interests to us, we may need to pay compensation for the use of those patents. If we are required to pay additional compensation or face other disputes under the German Act on Employees' Inventions, our results of operations could be adversely affected.

***The future growth of our business may expose our intellectual property to a high risk of counterfeiting or unauthorized use.***

As part of our business strategy, we intend to license our Anticalin<sup>®</sup> technology and sell our potential products, if any, in many different countries. As a result, we may do business with third parties in countries where intellectual property rights have been or are routinely disregarded, and the future growth of our business may expose our intellectual property to a high risk of counterfeiting or unauthorized use. Although we attempt to obtain broad international intellectual property rights for our Anticalin technology and proteins, we cannot guarantee that such rights, to the extent we can obtain them, will be enforceable in a timely fashion or at all in any particular country or jurisdiction, or that if enforced, will offer us adequate commercial protection or adequate redress for any harm suffered. Counterfeiting or unauthorized use of our technologies or products may also expose our business to harm for which no adequate monetary redress exists, and to the extent we are unable to stop such use, may cause us to lose rights with respect to intellectual property that is crucial to our business. Any such misuse of our intellectual property may have a substantial negative impact on our business and revenues, and may cause our business to fail.

**Risks Related to our Employees**

***If we are not able to attract and retain highly qualified personnel, we may not be able to successfully implement our business strategy.***

Our ability to compete in the highly competitive biotechnology and pharmaceuticals industries depends upon our ability to attract and retain highly qualified personnel. We are highly dependent on our management, scientific and medical personnel, especially Stephen S. Yoder, our Chief Executive Officer and President, whose services are critical to the successful implementation of our drug candidate development, our business development and partnerships, and our regulatory and commercialization strategies. Further, as our approach is built in part upon the drug discovery and development experience of our drug development team, which we believe is a significant contributor to our competitive advantage, we are dependent on the maintenance and growth of that team with qualified members containing high levels of expertise in specific scientific fields. We currently have 32 employees, and we may in the future hire additional employees for research and development or general and administrative activities.

We are not aware of any present intention of any of our executive officers or other members of our senior management team to leave our Company, but our industry tends to experience a high rate of turnover of management personnel and our employees are generally able to terminate their relationships with us on short notice. Pursuant to German employment law, our employment arrangements with employees of Pieris Operating are governed by employment contracts which provide certain defined terms for either party to terminate the employment relationship. Additionally, some members of our team, including our Acting Chief Financial Officer Darlene Deptula-Hicks, are consultants rather than employees, and could terminate their consulting relationship with us at any time or with short notice, depending on the terms of their respective consulting agreements with us.

The loss of the services of any of our executive officers, in particular Mr. Yoder, or other key employees and our inability to find suitable replacements could potentially harm our business, financial condition and prospects. Our success also depends on our ability to continue to attract, retain and motivate highly skilled junior and mid-level managers as well as junior and mid-level scientific and medical personnel.

Moreover, there is intense competition for a limited number of qualified personnel among biopharmaceutical, biotechnology, pharmaceutical and other related businesses. Many of the other companies against which we compete for qualified personnel have greater financial and other resources, different risk profiles, longer histories in the industry and greater ability to provide valuable cash or stock incentives to potential recruits than we do. They also may provide more diverse opportunities and better chances for career advancement. Some of these characteristics may be more appealing to high quality candidates than what we are able to offer as an early stage company. If we are unable to continue to attract and retain high quality personnel, the rate and success at which we can develop and commercialize drug candidates will be limited.

***We may be subject to labor claims brought by our employees against us.***

In the United States, an employment relationship with no specified duration is presumed to be employment “at-will” and the employer or employee may terminate the employment relationship at any time, with or without cause, except for public policy reasons including discrimination, participating in union activity or refusing to carry out an activity that violates the law.

In contrast, in Germany, there is no analogous doctrine of “employment at will”. By law, German employees must have written employment contracts that reflect the key aspects of the employment relationship. With respect to Pieris Operating, relations between German employers and employees are extensively regulated under German labor and employment laws and regulations. German employees enjoy, in particular, special protection against dismissals provided the employee has been employed by a company for more than six months and such company employs more than 10 employees.

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German employment termination law is regulated by various codes, in particular the *Kündigungsschutzgesetz* (German Termination Protection Act) and is intended to give the employee maximum protection against unfair dismissal, including among other things:

- the employer must observe the applicable notice period, which is ordinarily determined by law (between four weeks and seven months, depending upon the length of employment), if a longer period is not otherwise agreed by the parties, and has to deliver a written notice of termination to the employee;
- for companies with more than ten employees, the German Termination Protection Act generally restricts termination of employment if the employee has been employed for more than six months, wherein the employee may be terminated only for a particular reason, including certain behavioral or personal reasons relating to the employee or certain developments relating to the business of the employer, such as a business restructuring which reduces the number of employee positions;
- special termination protection against unlawful dismissal applies to several other groups of employees, such as an employee that is an officially acknowledged handicapped person, an employee who was appointed as a company's data protection officer or as a member of the works council of a company, if any, an employee on three years' maternity leave or a pregnant employee; in these cases, approval of various German authorities is required prior to termination but usually very difficult to obtain; and
- if a company engages in a mass layoff, which is deemed to occur when the employer intends to dismiss a large percentage of its employees during a one-month period, prior written notification to the German employment office is required.

In this regard, if we downsize Pieris Operating for any reason and fail to adhere to the complex requirements articulated by the employee protection law, we could face legal actions brought by affected employees or former employees, and, as a result, we may incur operational or financial losses and the attention of our executive officers may be distracted from managing 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 employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, through contractual provisions and other procedures, we may be subject to claims that these employees or we have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employers. Litigation may be necessary to defend against any such claims.

In addition, while it is our policy to require our employees 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 contributes to the development of intellectual property that we regard as our own. Further, the terms of such assignment agreements may be breached and we may not be able to successfully enforce their terms, which may force us to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of intellectual property rights we may regard and treat as our own.

***Our employees may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements, which could cause our business to suffer.***

We are exposed to the risk of employee fraud or other misconduct. Misconduct by employees could include intentional failures to comply with FDA or EMA regulations, provide accurate information to the FDA or EMA, comply with manufacturing standards we have established, comply with federal, state and international healthcare fraud and abuse laws and regulations as they may become applicable to our operations, report financial information or data accurately or disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter employee misconduct, and the precautions and procedures we currently take or may establish in the future as our operations and employee base expand to detect and prevent this type of 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 by our employees to comply with such laws or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

## **Risks Related to the Acquisition and Ownership of our Common Stock**

***There is not now, and there may never be, an active, liquid and orderly trading market for our common stock, which may make it difficult for you to sell your shares of our common stock.***

Our common stock is eligible for quotation on OTC Markets, OTC Pink (Current Information) tier of OTC Markets Group Inc., an over-the-counter quotation system, and there is not now, nor has there been since our inception, any significant trading activity in our common stock or a market for shares of our common stock, and an active trading market for our shares may never develop or be sustained. As a result, investors in our common stock must bear the economic risk of holding those shares for an indefinite period of time. We do not now, and may not in the future, meet the initial listing standards of any national securities exchange, and we presently anticipate that our common stock will be quoted on the OTC Markets in the OTC Pink (Current Information) tier or another over-the-counter quotation system in the foreseeable future. In those venues, our stockholders may find it difficult to obtain accurate quotations as to the market value of their shares of our common stock, and may find few buyers to purchase their stock and few market makers to support its price. As a result of these and other factors, you may be unable to resell your shares of our common stock at or above the price for which you purchased them, at or near quoted bid prices, or at all. Further, an inactive market may also impair our ability to raise capital by selling additional equity in the future, and may impair our ability to enter into strategic partnerships or acquire companies or products by using shares of our common stock as consideration.

***Our share price is expected to be volatile and may be influenced by numerous factors, some of which are beyond our control.***

Market prices for shares of biotechnology companies such as ours are often volatile, and the trading price of our common stock is therefore likely to be highly volatile and could be subject to wide fluctuations in response to various factors, some of which are beyond our control. In addition to the factors discussed in this “Risk Factors” section and elsewhere in this report, these factors include:

- the drug candidates we seek to pursue, and our ability to obtain rights to develop, commercialize and market those drug candidates;
- our decision to initiate a clinical trial, not to initiate a clinical trial or to terminate an existing clinical trial;
- actual or anticipated adverse results or delays in our clinical trials;
- our failure to commercialize our drug candidates, if approved;
- unanticipated serious safety concerns related to the use of any of our drug candidates;
- adverse regulatory decisions;
- additions or departures of key scientific or management personnel;
- changes in laws or regulations applicable to our drug candidates, including without limitation clinical trial requirements for approvals;
- disputes or other developments relating to patents and other proprietary rights and our ability to obtain patent protection for our drug candidates;
- our dependence on third parties, including CROs as well as our current and potential partners that produce companion diagnostic products;
- failure to meet or exceed any financial guidance or expectations regarding development milestones that we may provide to the public;
- actual or anticipated variations in quarterly operating results;
- failure to meet or exceed the estimates and projections of the investment community;
- overall performance of the equity markets and other factors that may be unrelated to our operating performance or the operating performance of our competitors, including changes in market valuations of similar companies;
- conditions or trends in the biotechnology and biopharmaceutical industries;
- introduction of new products offered by us or our competitors;
- announcements of significant acquisitions, strategic partnerships, joint ventures or capital commitments by us or our competitors;
- our ability to maintain an adequate rate of growth and manage such growth;
- issuances of debt or equity securities;
- sales of our common stock by us or our stockholders in the future, or the perception that such sales could occur;
- trading volume of our common stock;
- ineffectiveness of our internal control over financial reporting or disclosure controls and procedures;

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- general political and economic conditions;
- effects of natural or man-made catastrophic events; and
- other events or factors, many of which are beyond our control.

In addition, the stock market in general, and the stocks of small-cap biotechnology companies in particular, have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of these companies. Broad market and industry factors may negatively affect the market price of our common stock, regardless of our actual operating performance. In addition other biotechnology companies or our competitors' programs could have positive or negative results that impact their stock prices and their results or stock fluctuations could have a positive or negative impact on our stock price regardless of whether such impact is direct or not. The realization of any of the above risks or any of a broad range of other risks, including those described in these "Risk Factors," could have a dramatic and material adverse impact on the market price of our common stock.

***Our common stock is subject to the "penny stock" rules of the SEC and the trading market in the securities is limited, which makes transactions in the stock cumbersome and may reduce the value of an investment in the stock.***

Rule 15c-9 under the Exchange Act establishes the definition of a "penny stock," for the purposes relevant to us, as any equity security that has a market price of less than \$5.00 per share or with an exercise price of less than \$5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require: (i) that a broker or dealer approve a person's account for transactions in penny stocks; and (ii) the broker or dealer receive from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person's account for transactions in penny stocks, the broker or dealer must: (i) obtain financial information and investment experience objectives of the person and (ii) make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the SEC relating to the penny stock market, which, in highlight form: (i) sets forth the basis on which the broker or dealer made the suitability determination; and (ii) confirms that the broker or dealer received a signed, written agreement from the investor prior to the transaction. Generally, brokers may be less willing to execute transactions in securities subject to the "penny stock" rules. This may make it more difficult for investors to dispose of our common stock and cause a decline in the market value of our common stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker or dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

***FINRA sales practice requirements may limit a stockholder's ability to buy and sell our stock.***

The Financial Industry Regulatory Authority, or FINRA, has adopted rules requiring that, in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative or low-priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer's financial status, tax status, investment objectives and other information. Under interpretations of these rules, FINRA has indicated its belief that there is a high probability that speculative or low-priced securities will not be suitable for at least some customers. If these FINRA requirements are applicable to us or our securities, they may make it more difficult for broker-dealers to recommend that at least some of their customers buy our common stock, which may limit the ability of our stockholders to buy and sell our common stock and could have an adverse effect on the market for and price of our common stock.

***If securities or industry analysts do not publish, or cease publishing, research or publish inaccurate or unfavorable research about our business or our market, or if they change their recommendations regarding our stock adversely, our stock price and any trading volume could decline.***

Any trading market for our common stock that may develop will depend in part on the research and reports that securities or industry analysts publish about us or our business, markets or competitors. Securities and industry analysts do not currently, and may never, publish research on us or our business. If no securities or industry analysts commence coverage of our company, the trading price for our stock would be negatively affected. If securities or industry analysts initiate coverage, and one or more of those analysts downgrade our stock or publish inaccurate or unfavorable research about our business or our market, our stock price would likely decline. If one or more of these analysts cease coverage of our company or fail to publish reports on us regularly, demand for our stock could decrease, which might cause our stock price and any trading volume to decline.



***We may have material liabilities that are not discovered until after the closing of the Acquisition.***

As a result of the Acquisition, the former business plan and management of Pieris, previously known as Marika Inc., have been abandoned and replaced with the business and management team of Pieris Operating. Prior to the Acquisition, there were no relationships or other connections among the businesses or individuals associated with those two entities. As a result, Pieris may have material liabilities that are not discovered until after the Acquisition is completed. The Combined Company could experience losses as a result of any such undisclosed liabilities that are discovered following the Acquisition, which could materially harm our business and financial condition. Although the Acquisition Agreement contains customary representations and warranties from Pieris concerning its assets, liabilities, financial condition and affairs, there may be limited or no recourse against Pieris' pre-Acquisition stockholders or principals in the event those representations prove to be untrue. As a result, the stockholders of the Combined Company following the closing of the Acquisition will bear some, or all, of the risks relating to any such unknown or undisclosed liabilities.

***We may be exposed to additional risks as a result of "going public" by means of a reverse acquisition transaction.***

We may be exposed to additional risks because the business of Pieris Operating has become a public company through a "reverse acquisition" transaction. There has been increased focus by government agencies on transactions such as the Acquisition in recent years, and we may be subject to increased scrutiny by the SEC and other government agencies and holders of our securities as a result of the completion of that transaction. Further, as a result of our existence as a "shell company" under applicable rules of the SEC prior to the closing of the Acquisition on December 17, 2014, we are subject to certain restrictions and limitations for certain specified periods of time relating to potential future issuances of our securities and compliance with applicable SEC rules and regulations. Additionally, our "going public" by means of a reverse acquisition transaction may make it more difficult for us to obtain coverage from securities analysts of major brokerage firms following the Acquisition because there may be little incentive to those brokerage firms to recommend the purchase of our common stock. Further, investment banks may be less likely to agree to underwrite secondary offerings on our behalf than they might if we became a public reporting company by means of an IPO because they may be less familiar with our company as a result of more limited coverage by analysts and the media, and because we became public at an early stage in our development. The failure to receive research coverage or support in the market for our shares will have an adverse effect on our ability to develop a liquid market for our common stock. The occurrence of any such event could cause our business or stock price to suffer.

***We will incur increased costs associated with, and our management will need to devote substantial time and effort to, compliance with public company reporting and other requirements.***

As a public company, and particularly if and after we cease to be a "voluntary filer," an "emerging growth company" or a "smaller reporting company," we will incur significant legal, accounting and other expenses that Pieris Operating did not incur as a private company. In addition, the rules and regulations of the SEC and any national securities exchange to which we may be subject in the future impose numerous requirements on public companies, including requirements relating to our corporate governance practices, including requirements under Section 404 and other provisions of the Sarbanes-Oxley Act of 2002, as amended, or the Sarbanes-Oxley Act, with which we will now need to comply. Our management and other personnel will need to devote substantial time to gaining expertise regarding operations as a public company and compliance with applicable laws and regulations, and our efforts and initiatives to comply with those requirements could be expensive. The expenses incurred by public companies for reporting and corporate governance purposes have increased dramatically in recent years. We are unable currently to estimate these costs with any degree of certainty.

***If we fail to maintain proper and effective internal controls, our ability to produce accurate and timely financial statements could be impaired, which could harm our operating results, our ability to operate our business and investors' views of us.***

We will be required to comply with Section 404 of the Sarbanes-Oxley Act. Section 404 of the Sarbanes-Oxley Act requires public companies to conduct an annual review and evaluation of their internal controls. Pieris Operating was not subject to requirements to establish, and did not establish, internal control over financial reporting and disclosure controls and procedures prior to the Acquisition. Our management team and Board of Directors will need to devote significant efforts to maintaining adequate and effective disclosure controls and procedures and internal control over financial reporting in order to comply with applicable regulations, which may include hiring additional legal, financial reporting and other finance and accounting staff. Additionally, any of our efforts to improve our internal controls and design, implement and maintain an adequate system of disclosure controls may not be successful and will require that we expend significant cash and other resources.



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Under the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, issuers that qualify as “emerging growth companies” under the JOBS Act will not be required to provide an auditor’s attestation report on internal controls for so long as the issuer qualifies as an emerging growth company. We currently qualify as an emerging growth company under the JOBS Act, and we may choose not to provide an auditor’s attestation report on internal controls. However, if we cannot favorably assess the effectiveness of our internal control over financial reporting, or if we require an attestation report from our independent registered public accounting firm in the future and that firm is unable to provide an unqualified attestation report on the effectiveness of our internal controls over financial reporting, investor confidence and, in turn, our stock price could be materially adversely affected.

Ensuring that we have adequate internal financial and accounting controls and procedures in place so that we can produce accurate financial statements on a timely basis is a costly and time-consuming effort that will need to be evaluated frequently. Our failure to maintain the effectiveness of our internal controls in accordance with the requirements of the Sarbanes-Oxley Act could have a material adverse effect on our business. We could lose investor confidence in the accuracy and completeness of our financial reports, which could have an adverse effect on the price of our common stock. In addition, if our efforts to comply with new or changed laws, regulations, and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed.

We do not have sufficient accounting and supervisory personnel with the appropriate level of technical accounting experience and training necessary or adequate accounting policies, processes and procedures, particularly in the areas of revenue recognition, equity related transactions and other complex, judgmental areas for U.S. GAAP financial reporting and SEC reporting purposes and consequently, we must rely on third party consultants. These deficiencies represent a material weakness (as defined under the Exchange Act) in our internal control over financial reporting in both design and operation. We may identify additional material weaknesses in the future. Under the Exchange Act, a material weakness is defined as a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of a company’s annual or interim financial statements will not be prevented or detected on a timely basis by the company’s internal controls. We are currently developing a plan to design, review, implement and refine internal control over financial reporting and we have retained the services of Darlene Deptula-Hicks, as our Acting Chief Financial Officer, to help us with this process. However, we may identify deficiencies and weaknesses or fail to remediate previously identified deficiencies in our internal controls. If material weaknesses or deficiencies in our internal controls exist and go undetected or unremediated, our financial statements could contain material misstatements that, when discovered in the future, could cause us to fail to meet our future reporting obligations and cause the price of our common stock to decline.

***We are not subject to compliance with rules requiring the adoption of certain corporate governance measures and as a result our stockholders have limited protections against interested director transactions, conflicts of interest and similar matters.***

The Sarbanes-Oxley Act, as well as rule changes enacted by the SEC, the New York Stock Exchange and the NASDAQ Stock Market as a result of Sarbanes-Oxley, require the implementation of various measures relating to corporate governance. These measures are designed to enhance the integrity of corporate management and the securities markets and apply to securities which are listed on those exchanges. Because we are not presently required to comply with many of the corporate governance provisions we have not yet adopted these measures. As a result, we do not yet have an audit or compensation committee. Until we comply with such corporate governance measures, regardless of whether such compliance is required, the absence of such standards of corporate governance may leave our stockholders without protections against interested director transactions, conflicts of interest and similar matters.

***We do not have a class of our securities registered under Section 12 of the Exchange Act. Until we do or we become subject to Section 15(d) of the Exchange Act, we will be a “voluntary filer.”***

We are not currently required under Section 13 or Section 15(d) of the Exchange Act to file periodic reports with the SEC. We have in the past voluntarily elected to file some or all of these reports to ensure that sufficient information about us and our operations is publicly available to our stockholders and potential investors. Because we are a voluntary filer, we are considered a non-reporting issuer under the Exchange Act. Until we become subject to the reporting rules under the Exchange Act, we are not required to file annual, quarterly or current reports and could cease doing so at any time. Additionally, until we register a class of our securities under Section 12 of the Exchange Act, we are not subject to the SEC’s proxy rules, and large holders of our capital stock will not be subject to beneficial ownership reporting requirements under Sections 13 or 16 of the Exchange Act and their related rules. As a result, our stockholders and potential investors may not have available to them as much or as robust information as they may have if and when we become subject to those requirements.

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### ***Our principal stockholders own a significant percentage of our stock and will be able to exert significant control over matters subject to stockholder approval.***

Certain of our principal stockholders own a significant percentage of our outstanding capital stock. As of the date of this report, our holders of 5% or more of our capital stock and their respective affiliates beneficially own approximately 80% of our outstanding voting stock (which includes shares they have the right to acquire within 60 days), after giving effect to the Acquisition. Accordingly, our large stockholders have significant influence over our affairs due to their substantial ownership, and have substantial voting power to approve matters requiring the approval of our stockholders. For example, these stockholders may be able to control elections of directors, amendments of our organizational documents, or approval of any merger, sale of assets, or other major corporate transaction. This concentration of ownership may prevent or discourage unsolicited acquisition proposals or offers for our common stock that some of our stockholders may believe is in their best interest.

### ***Shares of our common stock that have not been registered under federal securities laws are subject to resale restrictions imposed by Rule 144, including those set forth in Rule 144(i) which apply to a former “shell company.”***

Prior to the closing of the Acquisition, we were deemed a “shell company” under applicable SEC rules and regulations because we had no or nominal operations and either no or nominal assets, assets consisting solely of cash and cash equivalents, or assets consisting of any amount of cash and cash equivalents and nominal other assets. Pursuant to Rule 144 promulgated under the Securities Act of 1933, as amended, or the Securities Act, sales of the securities of a former shell company, such as us, under that rule are not permitted (i) until at least 12 months have elapsed from the date on which this report, reflecting our status as a non-shell company, is filed with the SEC and (ii) unless at the time of a proposed sale, we are subject to the reporting requirements of Section 13 or 15(d) of the Exchange Act and have filed all reports and other materials required to be filed by Section 13 or 15(d) of the Exchange Act, as applicable, during the preceding 12 months, other than Form 8-K reports. We are currently a “voluntary filer” and are not subject to the reporting requirements of Section 13 or Section 15(d) of the Exchange Act. As a result, unless we register such shares for sale under the Securities Act, most of our stockholders will be forced to hold their shares of our common stock for at least that 12-month period before they are eligible to sell those shares, and even after that 12-month period, sales may not be made under Rule 144 unless we and the selling stockholders are in compliance with other requirements of Rule 144. Further, it will be more difficult for us to raise funding to support our operations through the sale of debt or equity securities unless we agree to register such securities under the Securities Act, which could cause us to expend significant time and cash resources. Additionally, our previous status as a shell company could also limit our use of our securities to pay for any acquisitions we may seek to pursue in the future (although none are currently planned). The lack of liquidity of our securities as a result of the inability to sell under Rule 144 for a longer period of time than a non-former shell company could cause the market price of our securities to decline.

### ***If we issue additional shares of our capital stock in the future, our existing stockholders will be diluted.***

Our Amended and Restated Articles of Incorporation authorizes the issuance of up to 300,000,000 shares of our common stock and up to 10,000,000 shares of preferred stock with the terms, limitations, voting rights, relative rights and preferences and variations of each series that our Board of Directors may determine from time to time. Possible business and financial uses for our authorized capital stock include, without limitation, equity financing, future stock splits, acquiring other companies, businesses or products in exchange for shares of our capital stock, issuing shares of our capital stock to partners or other collaborators in connection with strategic alliances, attracting and retaining employees by the issuance of additional securities under our equity compensation plan, or other transactions and corporate purposes that our Board of Directors deems are in the interests of our company. Additionally, issuances of shares of our capital stock could have the effect of delaying or preventing changes in control or our management. Any future issuances of shares of our capital stock may not be made on favorable terms or at all, they may have rights, preferences and privileges that are superior to those of our common stock, and may have an adverse effect on our business or the trading price of our common stock. The issuance of any additional shares of our common stock will reduce the book value per share and may contribute to a reduction in the market price of the outstanding shares of our common stock. Additionally, any such issuance will reduce the proportionate ownership and voting power of all of our current stockholders.

### ***Sales of a substantial number of shares of our common stock in the public market, or the perception that such sales could occur, could cause our stock price to fall.***

If our existing stockholders sell, or indicate an intention to sell, substantial amounts of our common stock in the public market after the legal restrictions on resale discussed in this report lapse or after those shares become registered for resale pursuant to an effective registration statement, the trading price of our common stock could decline. As of the date of this report, a total of 22,500,000 shares of our common stock are outstanding. Of those shares, only approximately 2,500,000 are currently freely tradable, without restriction, in the public market. If we were to elect to file a registration statement with respect to outstanding shares of our common stock, those shares that become registered would be freely tradable without restriction, except for shares held by our affiliates, and any sales of those shares or any perception in the market that such sales may occur could cause the trading price of our common stock to decline.

In addition, shares of common stock that are either subject to outstanding options or reserved for future issuance under our equity incentive plan will become eligible for sale in the public market to the extent permitted by the provisions of various vesting schedules, Rule 144 under the Securities Act, and any future registration of such shares under the Securities Act. If these additional shares of common stock 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.

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***Future sales and issuances of our common stock or rights to purchase common stock, including pursuant to our equity incentive plans or otherwise, could result in dilution of the percentage ownership of our stockholders and could cause our stock price to fall.***

We expect that significant additional capital will be needed in the future to continue our planned operations. To raise capital, we may sell common stock, convertible securities or other equity securities in one or more transactions at prices and in a manner we determine from time to time. If we sell common stock, convertible securities or other equity securities in more than one transaction, investors in a prior transaction may be materially diluted by subsequent sales. Additionally, any such sales may result in material dilution to our existing stockholders, and new investors could gain rights, preferences and privileges senior to those of holders of our common stock. Further, any future sales of our common stock by us or resales of our common stock by our existing stockholders could cause the market price of our common stock to decline.

Pursuant to the Pieris Plan, we are authorized to grant equity awards to our employees, directors and consultants for up to an aggregate of 3,200,000 shares of our common stock and, as of the date hereof, we have granted options to purchase 2,519,500 shares of our common stock. The Pieris Plan also includes an “evergreen” provision which provides that the number of shares of our common stock reserved for issuance under the Pieris Plan shall be automatically increased on January 1 of each of year commencing in fiscal 2016 by the lesser of (i) 1,000,000 shares, (ii) 4% of the number shares of our common stock outstanding on such date, and (iii) such other amount determined by the Board of Directors. Any future grants of options, warrants or other securities exercisable or convertible into our common stock, or the exercise or conversion of such shares, and any sales of such shares in the market, could have an adverse effect on the market price of our common stock.

***Anti-takeover provisions in our organizational documents could delay or prevent a change of control.***

Certain provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws may have an anti-takeover effect and may delay, defer or prevent a merger, acquisition, tender offer, takeover attempt or other change of control transaction that a stockholder might consider to be in its interests, including attempts that might result in a premium over the market price for the shares held by our stockholders.

These provisions provide, among other things:

- a classified Board of Directors with staggered three-year terms;
- the ability of our Board of Directors to issue one or more series of preferred stock with voting or other rights or preferences that could have the effect of impeding the success of an attempt to acquire us or otherwise effect a change of control;
- advance notice for nominations of directors by stockholders and for stockholders to include matters to be considered at stockholder meetings;
- certain limitations on convening special stockholder meetings and the prohibition of stockholder action by written consent; and
- directors may only be removed for cause and only by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then-outstanding shares of our capital stock entitled to vote at an election of directors, voting together as a single class.

These anti-takeover provisions, including those noted above, could make it more difficult for a third party to acquire us, even if the third party’s offer may be considered beneficial by many of our stockholders. As a result, our stockholders may be limited in their ability to obtain a premium for their shares. See “Description of Securities.”

***Our Amended and Restated Articles of Incorporation designate the Eighth Judicial District Court of Clark County, Nevada, as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, and therefore limit our stockholders’ ability to choose a forum for disputes with us or our directors, officers, employees or agents.***

Our Amended and Restated Articles of Incorporation provide that, to the fullest extent permitted by law, and unless we consent to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada shall be the sole and exclusive forum for any (i) derivative action or proceeding brought in the name or right of the corporation or on its behalf, (ii) action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers, employees or agents to the corporation or any of our stockholders,

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(iii) any action arising or asserting a claim arising pursuant to any provision of Chapters 78 or 92A of the NRS or any provision of the corporation's articles of incorporation or bylaws, (iv) any action to interpret, apply, enforce or determine the validity of our articles of incorporation or bylaws or (v) any action asserting a claim governed by the internal affairs doctrine. Our Amended and Restated Articles of Incorporation further provide that any person purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed, to the fullest extent permitted by law, to have notice of and consented to the foregoing provision.

We believe the choice-of-forum provision in our Amended and Restated Articles of Incorporation will help provide for the orderly, efficient and cost-effective resolution of Nevada-law issues affecting us by designating courts located in the State of Nevada (our state of incorporation) as the exclusive forum for cases involving such issues. However, this provision may limit a stockholder's ability to bring a claim in a judicial forum that it believes to be favorable for disputes with us or our directors, officers, employees or agents, which may discourage such lawsuits against us and our directors, officers, employees and agents. While there is no Nevada case law addressing the enforceability of this type of provision, Nevada courts have on prior occasion found persuasive authority in Delaware case law in the absence of Nevada statutory or case law specifically addressing an issue of corporate law. The Court of Chancery of the State of Delaware has ruled in June 2013 that choice-of-forum provisions of a type similar to those included in our Amended and Restated Articles of Incorporation are not facially invalid under corporate law and constitute valid and enforceable contractual forum selection clauses. However, if a court were to find the choice-of-forum provision in our Amended and Restated Articles of Incorporation inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions, which could adversely affect our business, financial condition or results of operations.

### ***The elimination of personal liability of our directors and officers under Nevada law and the existence of indemnification rights held by our directors, officers and employees may result in substantial expenses.***

Our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws eliminate to the furthest extent permitted under Nevada law the personal liability of our directors and officers to us, our stockholders and creditors for damages as a result of any act or failure to act in his or her capacity as a director or officer. Further, our Amended and Restated Articles of Incorporation, our Amended and Restated Bylaws and individual indemnification agreements that we have entered with each of our directors and officers provide that we are obligated to indemnify, subject to certain exceptions, each of our directors or officers to the fullest extent authorized by Nevada law and, subject to certain conditions, to advance the expenses incurred by any director or officer in defending any action, suit or proceeding prior to its final disposition. Those indemnification obligations could expose us to substantial expenditures to cover the cost of settlement or damage awards against our directors or officers, which we may be unable to afford. Further, those provisions and resulting costs may discourage us or our stockholders from bringing a lawsuit against any of our current or former directors or officers for such damages, even if such actions might otherwise benefit our stockholders.

### ***We do not intend to pay cash dividends on our capital stock in the foreseeable future.***

We have never declared or paid any cash dividends on our common stock and do not anticipate paying any dividends in the foreseeable future. We currently intend to retain all future earnings to fund the development and growth of our business. Any future payment of cash dividends in the future will be at the discretion of our Board of Directors and will depend on, among other things, our earnings, financial condition, capital requirements, level of indebtedness, statutory and contractual restrictions applying to the payment of dividends and other considerations that the Board of Directors deems relevant. Our stockholders should not expect that we will ever pay cash or other dividends on our outstanding capital stock.

### ***We are an emerging growth company and we cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.***

We are an emerging growth company under the JOBS Act. For as long as we continue to be an emerging growth company, we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, exemptions from the requirements of holding a nonbinding advisory stockholder vote on executive compensation and any golden parachute payments not previously approved, exemption from the requirement of auditor attestation in the assessment of our internal control over financial reporting and exemption from any requirement that may be adopted by the Public Company Accounting Oversight Board. If we do, the information that we provide stockholders may be different than what is available with respect to other public companies. We cannot predict if investors will find our common stock less attractive because we will 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.

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Under the JOBS Act, emerging growth companies can delay adopting new or revised accounting standards until such time as those standards apply to private companies. We have irrevocably elected to take advantage of this extended transition period. Since we will not be required to comply with new or revised accounting standards on the relevant dates on which adoption of such standards is required for other public companies, our financial statements may not be comparable to the financial statements of companies that comply with the effective dates of those accounting standards.

We will remain an emerging growth company until the earliest of (1) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of the second fiscal quarter, (2) the end of the fiscal year in which we have total annual gross revenues of \$1 billion or more during such fiscal year, (3) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period or (4) December 31, 2019, the end of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement filed under the Securities Act. Decreased disclosures in our SEC filings due to our status as an “emerging growth company” may make it harder for investors to analyze our results of operations and financial prospects.

***We are a smaller reporting company, and we cannot be certain if the reduced disclosure requirements applicable to smaller reporting companies will make our common stock less attractive to investors.***

We are currently a “smaller reporting company”, meaning that we are not an investment company, an asset-backed issuer, or a majority-owned subsidiary of a parent company that is not a smaller reporting company and have a public float of less than \$75 million and annual revenues of less than \$50 million during the most recently completed fiscal year. In the event that we are still considered a “smaller reporting company,” at such time we cease being an “emerging growth company”, we will be required to provide additional disclosure in our SEC filings. However, similar to “emerging growth companies”, “smaller reporting companies” are able to provide simplified executive compensation disclosures in their filings; are exempt from the provisions of Section 404(b) of the Sarbanes-Oxley Act requiring that independent registered public accounting firms provide an attestation report on the effectiveness of internal control over financial reporting; and have certain other decreased disclosure obligations in their SEC filings, including, among other things, only being required to provide two years of audited financial statements in annual reports and in a registration statement under the Exchange Act on Form 10. Decreased disclosures in our SEC filings due to our status as a “smaller reporting company” may make it harder for investors to analyze our results of operations and financial prospects.

## **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 consolidated financial statements and the related notes and other financial information included in this Current Report on Form 8-K. Some of the information contained in this discussion and analysis or set forth elsewhere in this Current Report on Form 8-K, including information with respect to our plans and strategy for our business, includes forward-looking statements that involve risks and uncertainties as described under the heading “Forward-Looking Statements” elsewhere in this Current Report on Form 8-K. You should review the disclosure under the heading “Risk Factors” in this Current Report on Form 8-K 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**

On December 16, 2014, we changed our name from Marika Inc. to Pieris Pharmaceuticals, Inc. and on December 17, 2014 we consummated the Acquisition.

We are a clinical-stage biopharmaceutical company dedicated to the discovery and development of our Anticalin® class of biotherapeutics for patients with diseases in which we believe there is high unmet medical need. Our current development plans focus mainly on two drug candidates, PRS-080 and PRS-060. PRS-080 is an Anticalin protein that binds to hepcidin, a natural regulator of iron in the blood. PRS-080 has been designed to target hepcidin for the treatment of functional iron deficiency, or FID, in anemic patients with chronic kidney disease, or CKD, particularly in end-stage renal disease patients requiring dialysis. PRS-060 is a drug candidate that binds to the IL-4RA receptor, thereby inhibiting IL-4 and IL-13, two cytokines known to be key mediators in the inflammatory cascade that causes asthma and other inflammatory diseases. We initiated a Phase I clinical trial with PRS-080 in healthy volunteers in November 2014 and expect to report the data from this trial by the end of 2015. PRS-060 is currently in preclinical development, and we intend to begin a Phase I clinical trial with PRS-060 in 2016.

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We are also developing PRS-110 and our 300-Series Anticalin<sup>®</sup> proteins in oncology. PRS-110 is a monovalent cMet antagonist that is designed to block both ligand-dependent and ligand-independent activity. cMet is a receptor tyrosine kinase, a well-known high-affinity cell surface receptor which is essential for embryonic development and wound healing and has been associated with several different cancers, including renal, gastric and lung carcinomas, central nervous system tumors and sarcomas. Our second set of oncology drug candidates is our 300-Series “platform within a product” opportunity in immuno-oncology. The 300-Series Anticalin proteins target checkpoint proteins and define a variety of multifunctional biotherapeutics that genetically link an antibody with one or more Anticalin proteins, thereby constituting a multispecific protein. We are conducting preclinical experiments on a number of 300-Series lead candidates and intend to choose a candidate for clinical trials in oncology by the end of 2015.

Our core Anticalin<sup>®</sup> technology and platform was developed in Germany, and we have partnership arrangements with major multi-national pharmaceutical companies headquartered in the U.S., Europe and Japan and with regional pharmaceutical companies headquartered in India. These include existing agreements with Daiichi Sankyo Company Limited, or Daiichi Sankyo, and Sanofi Group, or Sanofi, pursuant to which our Anticalin platform has consistently achieved its development milestones. We have discovery and preclinical collaboration and service agreements with both academic institutions and private firms in Australia. We also intend to establish a greater U.S. presence and take advantage of the U.S. capital markets, additional potential corporate partners, and the broad expertise found in the biotechnology industry in the United States.

Since inception, we have devoted nearly all of our efforts and resources to our research and development activities. We have incurred significant net losses since inception. For the years ended December 31, 2013 and 2012, we reported net income of \$0.1 million and net loss of \$2.3 million, respectively, and for the nine-month periods ended September 30, 2014 and 2013, we reported net losses of \$5.7 million and \$0.9 million, respectively. As of September 30, 2014, we had an accumulated deficit of \$61.6 million. Our net profit for the year ended December 31, 2013 is not indicative of a trend. We expect to continue incurring substantial losses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. Our operating expenses are comprised of research and development expenses and general and administrative expenses.

We have not generated any revenues from product sales to date, and we do not expect to generate revenues from product sales for at least the next several years. Our revenues for the fiscal years ended December 31, 2013 and 2012 and the nine-month periods ended September 30, 2014 and 2013 were primarily from license and collaboration agreements with our partners, and, to a lesser extent, from grants from government agencies.

The U.S. dollar is the reporting currency for all periods presented. The functional currency for Pieris Operating is euros. All assets and liabilities denominated in euros are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average rate during the period. Equity transactions are translated using historical exchange rates. Adjustments resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive loss.

Pieris is a holding company without operations or employees and the sole stockholder of Pieris Operating. The corporate headquarters and research facility of Pieris Operating are located in Freising, Germany. Pieris Australia Pty Ltd., a wholly owned subsidiary of Pieris Operating, was formed on February 14, 2014 to conduct research and development in Australia. Pieris Australia Pty Ltd. has entered into preclinical service agreements with certain service providers in Australia and such service providers have performed some of the services required under the respective agreements.

## **Recent Developments**

### *Acquisition*

On December 17, 2014, Pieris, Pieris Operating and the former stockholders of Pieris Operating entered into the Acquisition Agreement and completed the Acquisition. On December 5, 2014, Pieris completed a 2.272727-for-1 forward split of its common stock in the form of a share dividend, with the result that 6,100,000 shares of common stock outstanding immediately prior to the stock split became 13,863,635 shares of common stock outstanding immediately thereafter. On December 16, 2014, prior to the closing of the Acquisition, Pieris amended and restated its Articles of Incorporation to, among other things, change its name from Marika Inc. to “Pieris Pharmaceuticals, Inc.,” and increase its authorized capital stock from 75,000,000 shares of common stock, par value \$0.001 per share, to 300,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of “blank check” preferred stock, par value \$0.001 per share. On December 17, 2014, Pieris transferred its pre-Acquisition assets and liabilities to its former majority stockholder, Aleksandrs Sviks, in exchange for the surrender by him and cancellation of 11,363,635 shares of Pieris common stock. All share and per share numbers in this Report relating to our shares of common stock have been adjusted to give effect to the stock split described above, unless otherwise stated.



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At the closing of the Acquisition, Pieris issued an aggregate of 20,000,000 shares of its common stock to the former stockholders of Pieris Operating in exchange for all of the outstanding shares (common and preferred) of Pieris Operating's capital stock. Pieris Operating has become a wholly owned subsidiary of Pieris, and the former stockholders of Pieris Operating collectively own approximately 89% of the outstanding shares of Pieris' common stock.

In accordance with Financial Accounting Standards Board, or FASB, Accounting Standards Codification, or ASC, section 805 entitled, "Business Combinations," Pieris Operating is considered the accounting acquirer in the Acquisition and will account for the transaction as a capital transaction. Consequently, the assets and liabilities and the historical operations that will be reflected in our financial statements will be those of Pieris Operating and will be recorded at the historical cost basis of Pieris Operating.

### *2014 Series C Financing*

In December 2014, Pieris Operating concluded a Series C financing round, or the 2014 Series C Financing, in which Pieris Operating issued Series C preferred shares for €5,970,149.15 (\$8,226,269) in cash and the conversion of €3,000,000 (\$4,133,700) outstanding under an existing convertible loan agreement dated November 12, 2012, or the 2012 Bridge Loan and a second convertible loan agreement dated April 14, 2014, or the 2014 Bridge Loan. The convertible loan agreements were terminated in the course of the 2014 Series C Financing.

As part of the 2014 Series C Financing, parties to existing investment agreements and shareholders agreement relating to prior rounds of financing agreed to become parties to the investment agreement and the consolidated shareholders' agreement for the 2014 Series C Financing and the prior agreements were terminated.

Prior to the Series C Financing, Pieris Operating entered into agreements in April 2014 relating to the 2014 Bridge Loan with certain of its stockholders pursuant to which Pieris Operating received a commitment for financing in the aggregate amount of €2,000,000 (\$2,753,200), which loan amount, if drawn down by Pieris Operating, would be convertible into preferred shares of Pieris Operating after the maturity date or upon occurrence of certain events. The 2014 Bridge Loan provided for two tranches of financing: (i) Tranche A of €1,500,000 (\$2,064,900) and (ii) Tranche B of €500,000 (\$688,300). In June 2014, Pieris Operating called 67% of Tranche A, or €1,000,000 (\$1,377,900). Loan amounts outstanding under the 2014 Bridge Loan accrued interest at a rate of 12% per year and had a maturity date of December 31, 2015, after which the loan amounts would have accrued interest at a rate of 18% per year. The stockholders party to the 2014 Bridge Loan invested the €1,000,000 (\$1,377,900) remaining commitment in cash directly in the 2014 Series C Financing.

In addition, in March 2014, Pieris Operating and the lenders under the 2012 Bridge Loan entered into an amendment, pursuant to which, among other things, the parties agreed to postpone the ultimate maturity date with respect to the remaining balance of the loan from December 31, 2013 to December 31, 2015. The stockholders party to the 2012 Bridge Loan participated in the 2014 Series C Financing and waived their claims for repayment of the 2012 Bridge Loan as consideration.

### *TBG Loan*

As of April 3, 2014, Pieris Operating and tbG Technologie-Beteiligungs-Gesellschaft mbH, or TBG, a subsidiary of KfW Bank, Frankfurt, signed a repayment agreement concerning Pieris Operating's repayment of its liabilities to TBG outstanding at December 31, 2013 in a total amount of €1.2 million (\$1.65 million) under a silent partnership agreement between Pieris Operating and TBG, dated May 13, 2003, pursuant to which TBG had invested €750,000 (\$1,033,425) as a silent partner in Pieris Operating. The silent partnership agreement expired on December 31, 2013. The outstanding amount of €1.2 million (\$1.65 million) consisted of (i) the investment by TBG of €750,000 (\$1,033,425) which bore interest at a rate of 10.53% per year, and (ii) €450,000 (\$620,000), which represents an exit premium under the silent partnership agreement and which did not accrue interest. Under the repayment agreement, Pieris Operating had agreed to a payment schedule pursuant to which it would make semi-annual payments on the outstanding amount and interest until 2016. As of December 11, 2014, €150,000 (\$206,685) of the outstanding amount had been paid, and €1,050,000 (\$1.45 million) remained outstanding.

On December 11, 2014, Pieris Operating and TBG entered into an accelerated repayment agreement in respect of the claims of TBG against Pieris Operating with a gross settlement amount of €1,050,000 (\$1.45 million), the outstanding amount under the repayment agreement. Under the terms of the accelerated repayment agreement, the exit premium of €450,000 (\$620,000) is subject to German income tax and a solidarity surcharge resulting in a potential net payment amount by Pieris Operating of €331,312 (\$456,515). This amount can change if the competent German tax authorities have a differing opinion regarding the tax treatment of the profit-based payment, but in no event shall Pieris Operating have to pay more than the gross settlement amount of €450,000 (\$620,000). Pursuant to the terms of the accelerated repayment agreement, conditioned upon the closing of the Acquisition, Pieris Operating will be obligated to make two payments to satisfy the settlement as follows: a gross amount of €600,000 (\$826,740) plus accrued interest on January 31, 2015 and a post-tax net amount of €331,312 (\$456,515) on March 31, 2015, which may be adjusted by German tax authorities as described above. Upon full payment of the gross settlement amount of €1,050,000 (\$1.45 million) and issuance of a tax confirmation by Pieris Operating to TBG, all claims of Pieris Operating and TBG against each other from or in connection with the silent partnership agreement dated May 13, 2003 and the repayment agreement entered into on April 3, 2014, shall be considered settled and repaid in full.



### *TUM Arbitration*

On March 20, 2014, Pieris Operating instituted arbitration proceedings, against Technische Universität München, or TUM, to address issues regarding the calculation of payments due from Pieris Operating to TUM under Pieris Operating's Research and Licensing Agreement with TUM, as amended. Under the agreement, TUM has exclusively licensed, or in some cases assigned, to Pieris Operating certain intellectual property and know-how that has become part of the Anticalin® proprietary technologies. In return, Pieris Operating agreed to pay to TUM certain annual license fees, milestones and royalties for its own proprietary drug development and sales, as well as a variable fee as a function of out-licensing revenues, or the Out-License Fee, where such Out-License Fee is creditable against annual license payments to TUM. As required by the agreement, Pieris Operating provided to TUM its calculation of the Out-License Fee for the period beginning July 4, 2003 and ending on December 31, 2012 in the amount of \$0.4 million excluding value-added tax. TUM has asserted that the Out-License Fee for this period amounts to €2.5 million (\$3.4 million) excluding value-added tax and has threatened to terminate the license agreement if the Out-License Fee is not paid. We believe that if TUM sought to terminate the license agreement for cause as a result of this dispute, it would potentially face wrongful termination claims for substantial damages if the arbitral tribunal in the TUM Arbitration sides with Pieris in its final decision regarding the proper amount of the Out-License Fee. Pieris Operating instituted arbitration to request confirmation that Pieris Operating's calculation of the payments owed to TUM is accurate and will govern all current and future payments due in respect of the Out-License Fee under the agreement.

In April 2014, TUM argued to the arbitrators that it is not the proper party to be sued under the action for a declaratory arbitration decision brought by Pieris Operating in relation to the Research and Licensing Agreement, and that instead, it is the Free State of Bavaria that is the proper respondent to the action. Pieris Operating has responded that TUM has capacity to be sued in relation to any disputes arising from and regarding contractual provisions of the Research and Licensing Agreement and is thus also the proper respondent in the action. In accordance with the arbitration rules of the Deutsche Institution für Schiedsgerichtsbarkeit, each party to the arbitration proceeding has appointed one arbitrator and the party-named arbitrators collectively selected the third arbitrator as the chairman of the arbitration panel. The panel has indicated that it will first decide the issue of whether TUM is the proper respondent in this action. The arbitration panel has set a date for a first hearing in Munich, Germany on January 20, 2015. Pieris Operating has recorded a liability on its balance sheet in respect of such payment in the amount of €271,000 (\$373,000).

On December 1, 2014, TUM filed its statement of defense, maintaining its earlier calculation of the Out-License Fee. Pieris Operating has until January 12, 2015 to file a reply brief in response to TUM's defense.

For more information, see "Business – Legal Proceedings – Arbitration Proceeding with Technische Universität München" and "Business – TUM License Agreement."

### *Daiichi Sankyo Collaboration*

In June 2014, Pieris Operating achieved the second milestone for the second Daiichi Sankyo collaboration project by completing successful *in vitro* and *in vivo* studies validating a range of Anticalin® drug candidates designed to bind a target pre-selected by Daiichi Sankyo. This is the fifth milestone overall under the Daiichi Sankyo collaboration. With this achievement, Pieris Operating transferred further development responsibility of the second collaboration project, including *in vivo* studies in non-human primates, to Daiichi Sankyo. In October 2014, Pieris Operating achieved the fourth milestone for the first Daiichi Sankyo collaboration project by entering into a toxicology study using Anticalin drug candidates against a target pre-selected by Daiichi Sankyo. This is the sixth milestone overall under the Daiichi Sankyo collaboration.

### *Sanofi Collaboration*

In October, 2014, Pieris Operating achieved a research milestone for one of the initial Sanofi collaboration projects based on a positive review of a broad range of *in vitro*, *in vivo* and CMC data for the collaboration project. With this achievement, Pieris Operating transferred further development responsibility for the collaboration project to Sanofi. This is the second milestone overall under the Sanofi collaboration.

## **Results of Operations**

The following discussion summarizes the key factors our management believes are necessary for an understanding of our financial statements.

### *Revenues*

We have not generated any revenues from product sales to date, and we do not expect to generate revenues from product sales for at least the next several years. Our revenues for the last two years have been primarily from the license and collaboration agreements with Sanofi and Daiichi Sankyo, and, to a much lesser extent, grants from government agencies.

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The revenues from Sanofi and Daiichi Sankyo have been comprised primarily of upfront payments, research and development services and, to a lesser extent, milestone payments. We recognized revenues from upfront payments under these agreements on a straight-line basis over the required service period because we determined that the licenses to which the payments related did not have standalone value. Research service revenue is recognized when the costs are incurred and the services have been performed. Revenue from milestone payments is recognized when all of the following conditions are met: (1) the milestone payments are non-refundable, (2) the achievement of the milestone involves substantial risk and was not reasonably assured at the inception of the arrangement, (3) substantive effort on our part is involved in achieving the milestone, (4) the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone, and (5) a reasonable amount of time passes between the up-front license payment and the first milestone payment.

We expect our revenues for the next several years to consist of upfront payments, research funding and milestone payments from strategic collaborations we currently have or may establish in the future. We also may receive grants from government agencies and foundations funds in connection with our drug development efforts.

### *Expenses*

The process of researching and developing drugs for human use is lengthy, unpredictable and subject to many risks. We expect to continue incurring substantial expenses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. We are unable with any certainty to estimate either the costs or the timelines in which those costs will be incurred. Our current development plans focus on two lead drug candidates: PRS-080 and PRS-060. These programs consume a large proportion of our current, as well as projected, resources. We anticipate that our expenses will increase significantly compared to recent years as we advance PRS-080 through clinical trials, including a Phase I clinical trial in healthy volunteers initiated in November 2014, engage in first-in-man-enabling preclinical studies for PRS-060 and, subsequently, clinical development activities for this program, and prepare drug supply for these and other product candidates. We also expect to incur expenses associated with:

- further preclinical development activities for 300-Series programs;
- establishing and managing relationships with third parties with respect to collaboration and out-licensing; and
- validating and developing additional novel drug candidates.

Any failure or delay in the advancement of PRS-080 or PRS-060 could require us to re-allocate resources from our other projects to the advancement of those drug candidates, which could have a material adverse impact on the advancement of other projects and on our operations.

Our operating expenses are comprised of research and development expenses and general and administrative expenses. Our research and development costs are comprised of:

- internal recurring costs, such as labor and fringe benefits, materials and supplies, facilities and maintenance costs; and
- fees paid to external parties who provide us with contract services, such as preclinical testing, manufacturing and related testing, and clinical trial activities.

General and administrative expenses consist primarily of salaries and benefits for employees in executive, finance, business development, legal, accounting, human resources and other support functions. Other significant general and administrative expenses include the costs associated with obtaining and maintaining our intellectual property portfolio, professional fees for accounting, auditing, consulting and legal services, travel and allocated expenses.

### **Comparison of Nine Months Ended September 30, 2014 and September 30, 2013**

The following table sets forth our revenues and operating expenses for the nine months ended September 30, 2014 and 2013:

	<b>Nine Months Ended September 30, 2014</b>	<b>Nine Months Ended September 30, 2013</b>
	(in thousands)	
Revenues	\$ 2,090	\$ 9,002
Research and development expenses	(3,268)	(7,563)
General and administrative expenses	(4,104)	(1,901)

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	<b>Nine Months Ended September 30, 2014</b>	<b>Nine Months Ended September 30, 2013</b>
	(in thousands)	
Other income (expense)	(402)	(379)
Income tax benefit	—	—
Net profit (loss)	\$ (5,684)	\$ (841)

### *Revenues*

Total revenues were \$2.1 million for the nine months ended September 30, 2014 as compared to \$9.0 million for the nine months ended September 30, 2013. The following table provides a comparison of revenues for the nine months ended September 30, 2014 and 2013 (amounts in thousands):

	<b>Nine Months Ended September 30, 2014</b>	<b>Nine Months Ended September 30, 2013</b>
	(in thousands)	
Upfront payments	\$ 473	\$ 3,553
Research and development services	877	2,754
Milestone payments	685	661
Grants	55	2,034
Total	\$ 2,090	\$ 9,002

The decrease in revenues from upfront payments in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 related primarily to the successful hand over to a collaboration partner of collaboration projects in June 2014 and March 2013 and the termination of one collaboration project in November 2013. We were able to record upfront payments for four collaboration projects from January to March 2013 and upfront payment revenues for three collaboration projects throughout the nine-month period ended September 30, 2013. In the nine months ended September 30, 2014, we were able to record upfront payment revenues for two collaboration projects, which were successfully handed over to collaboration partners in June 2014 and October 2014, respectively. Also contributing to the decrease was the termination of a collaboration project in November 2013, for which the collaboration partner made an upfront payment. As a result of the termination, all deferred revenues related to that upfront payment were recognized in 2013, leading to a reduction in revenues from upfront payments from that collaboration partner for the nine months ended September 30, 2014 compared to the same period in the prior year.

The decrease in revenues from research and development services for the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 related primarily to a \$2.1 million decrease in research funding from collaboration partners. In the first nine months of 2013, we received research funding from collaboration partners for four collaboration projects; whereas, in the nine months ended September 30, 2014, we received research funding from collaboration partners for only two collaboration projects. Due to the successful hand over of both of these remaining collaboration projects, we have not received research funding from collaboration partners since July 2014.

Revenues from milestone payments were \$0.7 million for the nine months ended September 30, 2014 as compared to \$0.7 million for the nine months ended September 30, 2013. In the nine months ended September 30, 2014, we received two milestone payments from collaboration partners. In the first nine months of 2013, we achieved two milestones that triggered payments from collaboration partners. As the programs within our strategic collaborations mature, we may be able to recognize further milestone payments in the upcoming years.

The decrease in revenues from grants in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013 resulted from a decrease in activities performed for PRS-080's development that are reimbursable under grants from the European Commission for PRS-080. In the nine months ended September 30, 2014, our activities were primarily comprised of a clinical trial application and submission, resulting in reduced grant payments from the European Commission compared to the prior-year period.

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### *Research and Development Expenses*

Total research and development expenses were \$3.3 million for the nine months ended September 30, 2014 as compared to \$7.6 million for the nine months ended September 30, 2013. This decrease of \$4.3 million in total research and development expenses is primarily related to a decrease of \$1.5 million due to the finalization before the first quarter of 2014 of preclinical studies and drug manufacturing activities in preparation for the clinical study with PRS-080.

Our internal research and development expenses were \$3.1 million and \$6.8 million during the nine months ended September 30, 2014 and September 30, 2013, respectively. As of September 30, 2014, we employed 20 full-time and seven part-time personnel in our research and development group compared to 32 full-time and four part-time personnel in our research and development group as of September 30, 2013. The research and development expenses incurred for amounts payable to external parties started to become a larger component of our research and development costs during the fiscal year ended December 31, 2012 and represented a significant portion of our research and development spending during the nine months ended September 30, 2013 due primarily to the development work related to PRS-080, including preclinical studies and Phase I trial preparation for PRS-080. We incurred expenses of approximately \$0.1 million and \$2.9 million during the nine months ended September 30, 2014 and 2013, respectively, for amounts payable to external parties who manufactured, tested and performed clinical trial activities for all of our projects. Because these activities were substantially completed for PRS-080 in 2013, we incurred significantly lower costs in the nine months ended September 30, 2014 than in the respective period in 2013.

As development of PRS-080 and PRS-060 progresses, we anticipate costs for these two programs to increase considerably as we continue the Phase I trial for PRS-080 and begin other clinical trials in relation to PRS-080 and PRS-060. We also will incur costs related to additional non-clinical testing required for FDA approval and for manufacturing the material needed for clinical trial use.

We incurred \$0.2 million and \$0.8 million of costs under the license and collaboration agreements with our collaboration partners for the nine months ended September 30, 2014 and the nine months ended September 30, 2013, respectively. These costs declined significantly during 2014 as the research phase of the license and collaboration agreements have been completed, and the three collaboration projects have been handed over to our collaboration partners as of March 2013, June 2014 and October 2014, respectively, for continued development by them.

### *General and Administrative Expenses*

General and administrative expenses increased \$2.2 million in the nine months ended September 30, 2014 compared to the nine months ended September 30, 2013. The increase resulted primarily from an increase in consulting fees in the nine months ended September 30, 2014 compared to nine months ended September 30, 2013. We expect that our general and administrative expenses will increase in the future as we expand our operating activities, maintain and expand our intellectual property portfolio, and incur additional costs associated with being a public company.

### **Comparison of Years Ended December 31, 2013 and December 31, 2012**

The following table sets forth our revenues and operating expenses for the fiscal years ended December 31, 2013 and 2012:

	<b>Year Ended December 31, 2013</b>	<b>Year Ended December 31, 2012</b>
	(in thousands)	
Revenues	\$ 12,427	\$ 11,383
Research and development expenses	(9,412)	(10,855)
General and administrative expenses	(2,461)	(2,708)
Other income (expense)	(488)	(141)
Income tax benefit	0	0
Net profit (loss)	\$ 66	\$ (2,321)

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### *Revenues*

The following table provides a comparison of revenues for the years ended December 31, 2013 and 2012 (amounts in thousands):

	<b>Year Ended December 31, 2013</b>	<b>Year Ended December 31, 2012</b>
	(in thousands)	
Upfront payments	\$ 5,159	\$ 5,774
Research and development services	3,592	3,794
Milestone payments	1,129	257
Grants	2,547	1,558
<b>Total</b>	<b>\$ 12,427</b>	<b>\$ 11,383</b>

The decrease in revenues from upfront payments in the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012 of \$0.6 million is mainly due to a \$1.9 million decrease in revenues because of the successful hand over of a collaboration project to a collaboration partner in 2013 offset by a \$1.4 million increase in upfront payment revenues from another collaboration partner in the fiscal year ended December 31, 2013.

The \$0.2 million decrease in revenues from research and development services in the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012 related primarily to the successful hand over of a collaboration project to a collaboration partner in March 2013, following which Pieris Operating no longer received research funding from that collaboration partner.

The increase of \$0.9 million in revenues from milestone payments is due the achievement of more milestones in the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012. In the fiscal year ended December 31, 2012, we achieved a research milestone for one collaboration project; whereas in the fiscal year ended December 31, 2013, we achieved three research milestones under a collaboration project with a collaboration partner.

The increase in revenues from grants in the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012 related primarily to our significantly increased activities related to PRS-080's development in 2013 compared to 2012, resulting in higher reimbursement from the European Commission for PRS-080's development.

### *Research and Development Expenses*

The \$1.4 million decrease in total research and development expenses in the fiscal year ended December 31, 2013 compared to the fiscal year ended December 31, 2012 is due primarily to decreased preclinical program expenses.

Our internal research and development expenses were \$8.4 million and \$9.7 million during the years ended December 31, 2013 and 2012, respectively. As of December 30, 2013, we employed 32 full-time and two part-time personnel in our research and development group compared to 36 full-time and four part-time personnel in our research and development group as of December 31, 2012. The research and development expenses incurred for amounts payable to external parties started to become a larger component of our research and development costs during the fiscal year ended December 31, 2012 and represented a significant portion of our research and development spending during the fiscal year ended December 31, 2013, due primarily to the development work related to PRS-080, including preclinical studies and Phase I trial preparation for PRS-080. We incurred expenses of approximately \$3.3 million and \$3.7 million during the years ended December 31, 2013 and 2012, respectively, for amounts payable to external parties who manufactured, tested and performed clinical trial activities for all of our projects.

We incurred \$1.0 million and \$1.2 million of costs under the license and collaboration agreements with our collaboration partners for the years ended December 31, 2013 and 2012, respectively.

### *General and Administrative Expenses*

General and administrative expenses decreased from \$2.7 million for the year ended December 31, 2012 to \$2.5 million in 2013. The decrease resulted primarily from a decrease to payroll-related expense in 2013 compared to 2012 due to lower bonus compensation to employees and the replacement of our chief scientific officer. We expect that our general and administrative expenses will increase in the future as we expand our operating activities, maintain and expand our intellectual property portfolio, and incur additional costs associated with being a public company.

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### *Other Income (Expense)*

Other expense increased to \$0.5 million in the fiscal year ended December 31, 2013 from \$0.1 million for the fiscal year ended December 31, 2012. This increase is primarily due to interest expense arising from the \$2.8 million convertible bridge loan we obtained in November 2012. The interest expense includes interest accruing at 12% per year on the outstanding amount of the loan.

### **Liquidity and Capital Resources**

Through September 30, 2014, we have funded our operations with approximately \$116.5 million of cash that has been obtained from the following main sources: \$56.4 million from sales of equity; \$7.0 million from loans; \$13.2 million from grants from government agencies; and \$39.9 million in total payments received under license and collaboration agreements, including \$7.9 million for research and development services costs we received in 2012, 2013 and the first nine months of 2014 from Daiichi Sankyo and Sanofi. We expect that reimbursements of our development costs by Daiichi Sankyo and Sanofi will decline going forward, and we do not expect such reimbursements to be a significant source of funding in the future.

As of September 30, 2014, we had a total of \$0.9 million in cash and cash equivalents and approximately \$7.8 million of liabilities, consisting of \$0.5 million of current liabilities from operations and \$7.0 million in principal amount of loans (including the 2012 Bridge Loan, with an extended maturity date of December 31, 2015) and repayment obligations. We used approximately \$2.8 million and \$2.1 million of working capital to fund recurring operations during the nine months ended September 30, 2014 and September 30, 2013, respectively.

As noted above, in December 2014, Pieris Operating concluded the 2014 Series C Financing in which Pieris Operating issued Series C preferred shares for €5,970,149.15 (\$8,226,269) in cash and the conversion of €3,000,000 (\$4,133,700) outstanding under existing bridge loans.

Pieris Operating has experienced operating losses since its inception and had a total accumulated deficit of \$61.6 million as of September 30, 2014. Pieris Operating expects to incur additional costs and require additional capital. We have incurred losses in nearly every year since inception and in the nine months ended September 30, 2014. These losses have resulted in significant cash used in operations. During the fiscal years ended December 31, 2013 and 2012, our cash used in operations was approximately \$3.1 million and \$9.1 million, respectively. While we have several research and development programs underway, the PRS-080 and PRS-060 programs have advanced the furthest and will continue to consume increasing amounts of cash for conducting clinical trials and the testing and manufacturing of product material. As we continue to conduct these activities necessary to pursue FDA approval of PRS-080 and PRS-060 and our other product candidates, we expect the cash needed to fund operations to increase significantly over the next several years.

Our requirements for additional capital will depend on many factors, including the following:

- the scope, rate of progress, results and cost of our clinical studies, preclinical testing and other related activities;
- the cost of manufacturing clinical supplies, and establishing commercial supplies, of our drug candidates and any products that we may develop;
- the number and characteristics of drug candidates that we pursue;
- the cost, timing and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the timing, receipt and amount of sales, profit sharing or royalties, if any, from our potential products;
- the cost of preparing, filing, prosecuting, defending and enforcing any patent claims and other intellectual property rights; and
- the extent to which we acquire or invest in businesses, products or technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

We cannot be sure that future funding will be available to us on acceptable terms, or at all. Due to the often volatile nature of the financial markets, equity and debt financing may be difficult to obtain. In addition, any unfavorable development or delay in the progress for our PRS-080 or PRS-060 program could have a material adverse impact on our ability to raise additional capital.



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We may seek to raise any necessary additional capital through a combination of private or public equity offerings, debt financings, collaborations, strategic alliances, licensing arrangements and other marketing and distribution arrangements. To the extent that we raise additional capital through marketing and distribution arrangements or other collaborations, strategic alliances or licensing arrangements with third parties, we may have to relinquish valuable rights to our drug candidates, future revenue streams, research programs or product candidates or to grant licenses on terms that may not be favorable to us. If we raise additional capital through private or public equity offerings, the ownership interest of our existing stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect our stockholders' rights. If we raise additional capital through debt financing, we may be subject to covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

If we cannot raise adequate capital in the future, we will be required to delay and possibly eliminate the research and development work not only of our lead drug candidates PRS-080 and PRS-060, but also our other preclinical stage product candidates. In this case, we could be required to relinquish greater or all rights to our product candidates at an earlier stage of development and on less favorable terms than we would otherwise agree.

Our cash is maintained in money market accounts and, to a lesser extent, in CDs at major financial institutions. Due to the current low interest rates available for these instruments, we are earning limited interest income. Our investment portfolio has not been adversely impacted by the problems in the credit markets that have existed over the last several years, but there can be no assurance that our investment portfolio will not be adversely affected in the future.

### **Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements.

### **Critical Accounting Policies and Estimates**

The discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States, or GAAP. The preparation of these financial statements requires management to make estimates and assumptions that affect reported amounts of assets and liabilities as of the date of the balance sheet and reported amounts of revenues and expenses for the periods presented. Management makes estimates and exercises judgment in revenue recognition, share-based payments and income taxes. Judgments must also be made about the disclosure of contingent liabilities, and these estimates and assumptions form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results may differ from those estimates and under different assumptions or conditions. We periodically evaluate our estimates and judgments, including those described in greater detail below, in light of changes in circumstances, facts and experience.

We have identified the following accounting policies that we believe require application of management's most subjective judgments, often requiring the need to make estimates about the effect of matters that are inherently uncertain and may change in subsequent periods. Our actual results could differ from these estimates and such differences could be material.

#### *Multiple-element arrangements*

We enter into licensing and development agreements with collaboration partners for the development of Anticalin® therapeutics against a variety of targets in diseases and conditions. The terms of these agreements contain multiple elements and deliverables, which may include (i) licenses, or options to obtain licenses, to our Anticalin technology and (ii) research and development activities with respect to one or more therapeutics related to such licenses. Payments to us under these agreements may include upfront fees (which include license and option fees), payments for research and development services, payments based upon the achievement of certain milestones and royalties on product sales. There are no performance, cancellation, termination or refund provisions in any of the arrangements that contain material financial consequences to us. We follow the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 605-25, *Revenue Recognition—Multiple-Element Arrangements* and ASC Topic 605-28, *Revenue Recognition—Milestone Method* in accounting for these agreements.

When evaluating multiple-element arrangements, we identify the deliverables included within the agreement and evaluate which deliverables represent separate units of accounting based on whether certain criteria are met, including whether the delivered element has stand-alone value to the collaborator or if the arrangement includes a general right of return for delivered items.

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The consideration received is allocated among the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units. We have used best estimate of selling price methodology to estimate the selling price for licenses and options to acquire additional licenses to our proprietary technology because we do not have Vendor Specific Objective Evidence or Third Party Evidence of selling price for these deliverables. To determine the estimated selling price of a license to our proprietary technology, we consider market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements, terms of previous collaborative agreements, similar agreements entered into by third parties, market opportunity, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the license. Significant changes in key assumptions used to determine the best estimate of selling price could have a significant effect on the allocation of arrangement consideration, which could have a material effect on the timing of revenue recognition.

We typically receive upfront, nonrefundable payments when licensing our intellectual property in conjunction with a research and development agreement. In determining the units of accounting, management evaluates whether the license has stand-alone value from the undelivered elements to the collaboration partner based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the stage of development of the license delivered, research capabilities of the partner and the availability of Anticalin® technology research expertise in the general marketplace.

When management believes the license to our intellectual property does not have stand-alone value from the other deliverables to be provided in the arrangement, we generally recognize revenue attributed to the license on a straight-line basis over our contractual or estimated performance period, which is typically the term of our research and development obligations. When management believes the license to our intellectual property has stand-alone value, we recognize revenue attributed to the license upon delivery. The periods over which revenue should be recognized are subject to estimates by management and may change over the course of the research and development agreement. Such a change could have a material impact on the amount of revenue we record in future periods.

The accounting treatment for options granted to collaborators depends upon the nature of the option granted to the collaboration partner. Options are considered substantive if, at the inception of an agreement, we are at risk as to whether the collaboration partner will choose to exercise the options to secure additional licenses. Factors that are considered in evaluating whether options are substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the total upfront consideration, and the additional financial commitments or economic penalties imposed on the collaborator as a result of exercising the options.

In arrangements where options to obtain additional licenses are considered substantive, we do not consider the additional licenses to be a deliverable at the inception of the agreement. When a collaborator exercises the option to acquire the additional license, the exercise fee is attributed to the additional license, and we apply the multiple-element revenue recognition criteria to all deliverables in the arrangement, which will be consistent with the treatment of up-front payments for licenses (*i.e.*, license and research and development services). In the event an option expires and is not exercised, any deferred amounts attributable to the optional licenses are recognized into revenue upon expiration. For options that are non-substantive, the additional licenses to which the options pertain are considered deliverables upon inception of the arrangement, and we apply the multiple-element revenue recognition criteria to determine accounting treatment. None of our agreements has been determined to contain non-substantive options.

Payments or reimbursements resulting from our research and development efforts for those arrangements where such efforts are considered as deliverables are recognized as the services are performed and are presented on a gross basis so long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection of the related receivable is reasonably assured. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue.

### *Milestone payments*

At the inception of each agreement that includes milestone payments, we evaluate whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. We evaluate factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

We aggregate milestones into three categories (i) research milestones, (ii) development milestones and (iii) commercial milestones. Research milestones are typically achieved upon reaching certain success criteria as defined in each agreement related to developing an Anticalin® protein against the specified target. Development milestones are typically reached when a compound reaches a defined phase of clinical research or passes such phase, or upon gaining regulatory approvals. Commercial milestones are typically achieved when an approved pharmaceutical product reaches the status for commercial sale or certain defined levels of net sales by the licensee, such as when a product first achieves global sales or annual sales of a specified amount.

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Revenues from research and development milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, are recognized entirely upon successful accomplishment of the milestones. Milestones that are not considered substantive are accounted for as license payments and recognized on a straight-line basis over the remaining period of performance. Revenues from commercial milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met.

### *Government grants*

Government grants are recognized when there is reasonable assurance that all conditions will be complied with and the grant will be received. As government grants received by us generally represent subsidies for specified activities, they are recognized when earned as a reduction of the expenses recorded for the activity that the grants are intended to compensate. Thus, revenues from a grant relating to research and development expense are recognized over the same period in which the related costs are incurred.

### *Loss contingencies*

We record accruals for loss contingencies to the extent that we conclude that it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. We evaluate, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that has been accrued previously. We consider all claims on a quarterly basis in accordance with GAAP and based on known facts assess whether potential losses are considered reasonably possible, probable and estimable. Based upon this assessment, we then evaluate disclosure requirements and whether to accrue for such claims in our financial statements.

Under the Research and Licensing Agreement between Pieris Operating and Technische Universität München dated as of July 26, 2007, Pieris Operating is required make payments to TUM based on the Pieris Operating's revenues generated from entering into sub-licensing agreements with any third party with respect to both University Inventions and Joint Inventions (each as defined in the agreement). These revenues include up-front payments as well as milestone payments received by Pieris Operating from third parties.

As Pieris Operating signed six sub-licensing agreements between 2004 and 2012 under which it has recorded revenues, Pieris Operating acknowledges an obligation to TUM. However, the parties disagree regarding the amount due. Pieris Operating commenced arbitration proceedings to resolve the dispute. Although it is not possible to predict the outcome of such arbitration, Pieris Operating has assessed the degree of probability and the reasonably possible losses that it could incur as a result of these matters. Pieris Operating believes that its accrual for possible liability under the agreement as of December 31, 2013 (in an amount of €271,000 (\$373,000)) appropriately reflects its estimated future payment obligations. The amount currently in dispute is €2.2 million (\$3.0 million). Please see the disclosure under the heading "Business—Legal Proceedings."

### *Income taxes*

We apply ASC 740 – Income Taxes, which established financial accounting and reporting requirements for the effects of income taxes that result from our activities during the current and preceding years. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted statutory tax rates expected to apply to taxable income in the jurisdictions and years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Where we determine that it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future, the deferred tax assets are reduced by a valuation allowance. The valuation allowance is sufficient to reduce the deferred tax assets to the amount that we determine is more likely than not to be realized.

Management's evaluation with regard to the probability of realizing its deferred tax assets is that it is more likely than not that we may not realize the benefit of its deferred tax asset. This evaluation is based on our history of operating losses and an actual outlook that we will experience losses in the foreseeable future. The net profit for the year ended December 31, 2013 is not indicative of a trend. Accordingly deferred tax assets have been fully reserved as of December 31, 2012 and 2013 and September 30, 2014.

## Recently Issued Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each such standard will have. For the recently issued accounting standards that we believe may have an impact on our financial statements, see Exhibit 99.1, “Notes to Financial Statements – Note 2 – Summary of Significant Accounting Policies.”

## Emerging Growth Company and Smaller Reporting Company Status

The Jumpstart Our Business Startups Act of 2012, or the JOBS Act, establishes a class of company called an “emerging growth company,” which generally is a company whose initial public offering was completed after December 8, 2011 and had total annual gross revenues of less than \$1 billion during its most recently completed fiscal year. Additionally, Section 12b-2 of the Exchange Act establishes a class of company called a “smaller reporting company,” which generally is a company with a public float of less than \$75 million as of the last business day of its most recently completed second fiscal quarter or, if such public float is \$0, had annual revenues of less than \$50 million during the most recently completed fiscal year for which audited financial statements are available. We currently qualify as both an emerging growth company and a smaller reporting company.

As an emerging growth company and a smaller reporting company, we are eligible to take advantage of certain exemptions from various reporting requirements that are not available to public reporting companies that do not qualify for those classifications, including without limitation the following:

- An emerging growth company is exempt from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor’s report providing additional information about the audit and financial statements, commonly known as an “auditor discussion and analysis.”
- An emerging growth company is not required to hold a nonbinding advisory stockholder vote on executive compensation or any golden parachute payments not previously approved by stockholders.
- Neither an emerging growth company nor a smaller reporting company is required to comply with the requirement of auditor attestation of management’s assessment of internal control over financial reporting, which is required for other public reporting companies by Section 404 of the Sarbanes-Oxley Act of 2002.
- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced disclosure obligations regarding executive compensation in its periodic and annual reports, including without limitation exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures.
- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced financial statement disclosure in registration statements, which must include two years of audited financial statements rather than the three years of audited financial statements that are required for other public reporting companies. Smaller reporting companies are also eligible to provide such reduced financial statement disclosure in annual reports on Form 10-K.

For as long as we continue to be an emerging growth company and/or a smaller reporting company, we expect that we will take advantage of the reduced disclosure obligations available to us as a result of those respective classifications. We will remain an emerging growth company until the earliest of (i) the end of the fiscal year in which the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the end of the second fiscal quarter, (ii) the end of the fiscal year in which we have total annual gross revenues of \$1 billion or more during such fiscal year, (iii) the date on which we issue more than \$1 billion in non-convertible debt in a three-year period or (iv) December 31, 2019, the end of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement filed under the Securities Act. We expect that we will remain an emerging growth company for the foreseeable future, but cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before December 31, 2019. We will remain a smaller reporting company until we have a public float of \$75 million or more as of the last business day of our most recently completed second fiscal quarter. We also expect that we will remain a smaller reporting company for the foreseeable future, and we could retain our smaller reporting company status indefinitely depending on the size of our public float.

Emerging growth companies may elect to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act of 1933, as amended, 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 elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following table sets forth the number of shares of our common stock beneficially owned as of December 17, 2014 after giving effect to the Acquisition, by (i) each of our current directors and named executive officers, (ii) all executive officers and directors as a group, and (iii) each person known by us to be the beneficial owner of more than 5% of the outstanding shares of our common stock. We have determined beneficial ownership in accordance with applicable rules of the SEC, which generally provide that beneficial ownership includes voting or investment power with respect to securities. Except as indicated by the footnotes to the table below, we believe, based on the information furnished to us, that the persons named in the table have sole voting and investment power with respect to all shares of common stock that they beneficially own, subject to applicable community property laws.

The information set forth in the table below is based on 22,500,000 shares of our common stock issued and outstanding on December 17, 2014 after giving effect to the Acquisition. In computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person, we deemed to be outstanding all shares of common stock subject to options, warrants or other convertible securities held by that person that are currently exercisable or will be exercisable within 60 days after December 17, 2014. We did not deem these shares outstanding, however, for the purpose of computing the percentage ownership of any other person. Except as otherwise noted in the footnotes below, the address for each person listed in the table below, solely for purposes of filings with the SEC, is c/o Pieris AG, Lise-Meitner-Strasse 30, 85354 Freising-Weißenstephan.

Name and Address of Beneficial Owner	Number of Shares Beneficially Owned	Percentage Beneficially Owned
<i>5%+ Stockholders:</i>		
OrbiMed Private Investments III, LP(1)	6,509,620	28.93%
The Global Life Sciences Venture Funds(2)	2,483,949	11.04%
Gilde Europe Food & Agribusiness Fund B.V.(3)	2,433,870	10.82%
Novo Nordisk A/S(4)	2,051,802	9.12%
Mark N. Tompkins (5)	1,774,949	7.89%
Cadila Healthcare Ltd. (6)	1,415,539	6.29%
Coöperatieve AAC LS U.A. (Forbion)(7)	1,348,151	5.99%
<i>Directors and Named Executive Officers:</i>		
Stephen S. Yoder(8)	320,000	1.40%
Ulrich Moebius, Ph.D.(9)	—	*
Chau Khuong (10)	—	*
Christina Takke, Ph.D (11)	—	*
Michael Richman (12)	—	*
Steven Prelack(13)	—	*
Aleksandrs Sviks (14)	—	*
Claus Schalper (15)	80,720	*
Dr. Laurent Audoly (16)	—	*
All Current Directors and Executive Officers as a Group (6 persons)	320,000	1.40%

\* Less than 1%.

- (1) Includes 6,451,298 shares held of record by OrbiMed Private Investments III, LP, or OPI III, and 58,322 shares held of record by OrbiMed Associates III, LP, or Associates III. The address for OPI III and Associates III is 601 Lexington Avenue, 54<sup>th</sup> Floor, New York, New York. Shares of Pieris are directly owned by OPI III and Associates III. OrbiMed Capital GP III LLC, or GP III, is the sole general partner of OPI III and, as such, may be deemed to indirectly beneficially own the shares held by OPI III. OrbiMed Advisors LLC, or OrbiMed, is the general partner of Associates III and the sole managing member of GP III and, as such, OrbiMed may be deemed to indirectly beneficially own the shares held by OPI III and Associates III. Samuel D. Isaly is the managing member of, and owner of a controlling interest in, OrbiMed. Accordingly, OrbiMed and Mr. Isaly may be deemed to have voting and investment power over the shares held by OPI III and Associates III. GP III, OrbiMed and Mr. Isaly disclaim beneficial ownership with respect to such shares, except to the extent of their pecuniary interest therein, if any.
- (2) Includes 1,397,192 shares held of record by The Global Life Science Ventures Funds II GmbH & Co. KG, or Global Life KG, and 1,086,757 shares held of record by The Global Life Science Ventures Fund II Limited Partnership, or Global Life LP. The address for Global Life KG is Tal 26, 80331 München, Germany. The address for Global Life LP is 1 Royal Plaza, Royal Avenue, St. Peter Port, Guernsey, United Kingdom. The general partner of Global Life KG is Global Life Science Ventures GmbH, whose managing directors are Dr. Hans A. Küpper and Hanns-Peter Wiese. Accordingly, Dr. Küpper and Mr. Wiese may be deemed to have voting and investment power over the shares held by Global Life KG. Dr. Küpper and Mr. Wiese

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disclaim beneficial ownership with respect to such shares, except to the extent of their pecuniary interest therein, if any. The general partner of Global Life LP is The Global Life Science Ventures (GP) Limited, whose managing directors are Barry McClay, Martijn Hes and Peter Touzeau. Accordingly, Messrs. McClay, Hes and Touzeau may be deemed to have voting and investment power over the shares held by Global Life LP. Messrs. McClay, Hes and Touzeau disclaim beneficial ownership with respect to such shares, except to the extent of their pecuniary interest therein, if any.

- (3) The address for Gilde Europe Food & Agribusiness Fund B.V. is Newtonlaan 91, 3584 BP Utrecht, The Netherlands. The manager of Gilde Europe Food & Agribusiness Fund B.V. is Gilde Agribusiness Management B.V., or Gilde Management, and Gilde Management is owned by Gilde Healthcare Holding B.V., or Gilde Holding. Three Managing Partners, Edwin de Graaf, Marc Olivier Perret and Martenmanshurk B.V. (of which Pieter van der Meer is the owner and manager) each own 28.66% of Gilde Holding, and Stichting Administratiekantoor Gilde Healthcare Holding, or Stichting, owns 14% of Gilde Holding. Stichting is controlled by Mr. de Graaf, Mr. Perret and Martenmanshurk B.V. and issued depository receipts for shares in Gilde Holding to two partners, Arthur Franken and Dirk Kersten. Mr. de Graaf, Mr. Perret and Mr. van der Meer share voting and dispositive power over the shares and disclaim beneficial ownership of the shares except to the extent of their respective pecuniary interests therein, if any.
- (4) The address for Novo Nordisk A/S is Novo Allé, 2880 Bagsvaerd, Denmark. Novo Nordisk A/S is a corporation governed by a board of directors comprised of 11 directors. The members of the board of directors disclaim beneficial ownership with respect to such shares, except to the extent of their pecuniary interest therein, if any.
- (5) The address for Mark N. Tompkins is App 1, Via Guidino 23, Lugano 6900, Switzerland.
- (6) The address for Cadila Healthcare Ltd. is Zydus Tower, Satellite Cross Roads, Sarkhej-Gandhinagar Highway, Ahmedabad- 380 015, India. Cadila Healthcare Ltd. is a public limited company with limited liability incorporated in India and is governed by a board of directors comprised of seven directors. The members of the board of directors disclaim beneficial ownership with respect to such shares, except to the extent of their pecuniary interest therein, if any.
- (7) The address for Coöperatieve AAC LS U.A. (Forbion) is Gooimeer 2-35, 1411 DC Naarden, The Netherlands. Forbion 1 Management B.V. is the director of Coöperatieve AAC LS U.A. (Forbion), which is governed by an investment committee. Members of the investment committee disclaim beneficial ownership with respect to such shares, except to the extent of their pecuniary interest therein, if any.
- (8) Includes options to purchase 320,000 shares of our common stock which are vested as of the Acquisition, and does not include options to purchase 960,000 shares of our common stock which have not vested and will not be exercisable within 60 days after December 17, 2014.
- (9) Does not include options to purchase 100,000 shares of our common stock which have not vested and will not be exercisable within 60 days after December 17, 2014.
- (10) Does not include options to purchase 30,000 shares of our common stock which have not vested and will not be exercisable within 60 days after December 17, 2014.
- (11) Does not include options to purchase 30,000 shares of our common stock which have not vested and will not be exercisable within 60 days after December 17, 2014.
- (12) Does not include options to purchase 60,000 shares of our common stock which have not vested and will not be exercisable within 60 days after December 17, 2014.
- (13) Does not include options to purchase 30,000 shares of our common stock which have not vested and will not be exercisable within 60 days after December 17, 2014.
- (14) The address for Aleksandrs Sviks is 54-35 Muzjanu Street, Riga, Latvia, LV-1064. Aleksandrs Sviks is the former sole director and officer of Pieris.
- (15) Includes options to purchase 78,750 shares of our common stock which are vested as of the Acquisition, and does not include options to purchase 236,250 shares of our common stock which have not vested and will not be exercisable within 60 days after December 17, 2014.
- (16) Dr. Laurent Audoly is the former Chief Scientific Officer of Pieris Operating.



## MANAGEMENT

### Directors, Executive Officers and Other Non-Executive Officers

The table below sets forth information about our directors and executive officers after giving effect to the Acquisition:

<u>Name</u>	<u>Age</u>	<u>Position</u>
Stephen S. Yoder	38	Chief Executive Officer, President and Director
Darlene Deptula-Hicks	57	Acting Chief Financial Officer
Chau Khuong	38	Chairman of the Board of Directors
Christina Takke, Ph.D.	44	Director
Michael Richman	53	Director
Steven Prelack	57	Director

### Business Experience

The following is a brief account of the education and business experience of our current directors and executive officers:

*Stephen S. Yoder.* Stephen S. Yoder joined Pieris Operating as Chief Executive Officer in January 2010. Upon the effectiveness of the Acquisition, he joined the Board of Directors of Pieris and was appointed as Chief Executive Officer and President. Prior to joining Pieris Operating, from July 2003 to December 2010 he led the intellectual property and legal departments at MorphoSys AG, a biotechnology company involved in the development and research of antibodies, as General Counsel. Prior to MorphoSys AG, from September 1999 to June 2003 he worked in several Washington, D.C. law firms, specializing in a life sciences intellectual property practice. Mr. Yoder holds degrees in molecular biology and Spanish from Grove City College and a Juris Doctorate, with honors, from The George Washington University Law School. As an attorney, he is licensed to practice before the United States Patent and Trademark Office, and in the jurisdictions of Maryland and Washington, D.C. We believe that Mr. Yoder adds value to our Board of Directors based on his intimate knowledge of our business plans and strategies of our business and his years of experience in the biotechnology and life sciences industry.

*Darlene Deptula-Hicks.* Darlene Deptula-Hicks was engaged as a financial consultant to Pieris Operating on November 19, 2014, providing financial services relating to the Acquisition pursuant to a consulting agreement with the financial advisory firm of Danforth Advisors, LLC, or Danforth. Upon the effectiveness of the Acquisition, she was appointed as Acting Chief Financial Officer, Secretary and Treasurer of Pieris and she will continue to provide her services through Danforth. Prior to that time and since June 2012, Ms. Deptula-Hicks served as the Executive Vice President and Chief Financial Officer of Microline Surgical, Inc., a surgical instruments and medical devices company. From 2006 to May 2011 Ms. Deptula-Hicks served as Executive Vice President and Chief Financial Officer of iCAD, Inc. (Nasdaq: ICAD), a publicly traded medical device company. From 2002 to 2006 Ms. Deptula-Hicks served as Executive Vice President and Chief Financial Officer of ONI Medical Systems, Inc., a venture capital-backed designer and manufacturer of high-field diagnostic imaging systems for orthopedic applications, and from 1998 to 2001 Ms. Deptula-Hicks was Executive Vice President and Chief Financial Officer of Implant Sciences Corporation (Amex:IMX), an early stage medical device company that had its initial public offering in June of 1999. Prior to 1998, Ms. Deptula-Hicks also held various senior financial and accounting positions at Abiomed, Inc., GCA Corporatio, Edwards High Vacuum International and Puritan Bennett Corporation. Ms. Deptula-Hicks also serves on the Board of Directors and as Chair of the Audit Committee of Xenetic Biosciences, Inc. (OTCBB:XBIO) and between 2006 and October 2014 served on the Board of Directors of IMCOR Pharmaceutical Company, Technest Holdings, Inc., and USfalcon. Ms. Deptula-Hicks received her B.S. in accounting from Southern NH University and her MBA from Rivier College.

*Chau Khuong.* Mr. Khuong joined the Board of Directors of Pieris effective upon the closing of the Acquisition and has served on the supervisory board of Pieris Operating since May 2014. Mr. Khuong has worked at OrbiMed Advisors LLC since 2003 and is currently a Private Equity Partner. Mr. Khuong gained experience in start-up operations and business development at Veritas Medicine, Inc. and in basic science research at the Yale School of Medicine and at Massachusetts General Hospital. He currently serves as a director of several public and private companies, including Aerpio Therapeutics, Inc., Inspire Medical Systems, Otonomy, Inc. (NASDAQ: OTIC) and Cerapedics LLC. Mr. Khuong holds a B.S. in molecular, cellular and developmental biology with concentration in biotechnology and an MPH with concentration in infectious diseases, both from Yale University. We believe that Mr. Khuong adds value to our Board of Directors due to his experience as an investor, particularly with respect to healthcare companies, and his broad life sciences industry knowledge. He also has extensive experience overseeing the operations and research and development of biotechnology companies.

*Christina Takke, Ph.D.* Dr. Takke joined the Board of Directors of Pieris effective upon the closing of the Acquisition and has served on the supervisory board of Pieris Operating since 2005. Dr. Takke is currently a Partner at Forbion Capital Partners in the Netherlands, where she has served in such capacity since 2010, and previously worked as a Partner at ABN AMRO Capital Life Sciences from September 2000 to January 2007. At Forbion, Dr. Takke is responsible for scouting and the analysis of new investment opportunities as well as general deal execution, in particular the financing of several Forbion portfolio companies including arGEN-X. Prior to that time, Dr. Takke served as a consultant at Bio-Gen-Tec-NRW, a regional development organization for the biotechnology industry. Dr. Takke currently serves on the supervisory board of arGEN-X N.V. (the Netherlands) and Amakem N.V. (Belgium). Dr. Takke also served as a board observer of GlycArt (Switzerland), which was sold to Roche in 2005. Dr. Takke received her Ph.D. in developmental biology from the Institute of Development Biology at the University of Cologne and a master's degree in molecular biology and biochemistry from the Technical University of Darmstadt. We believe that Dr. Takke adds value to our Board of Directors based on her intimate knowledge of our business plans and strategies of our business, her years of experience in the biotechnology and life sciences industry, and her experience with financing and other aspects of company-building for enterprises in our industry.

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**Michael Richman.** Mr. Richman joined the Board of Directors of Pieris effective upon the closing of the Acquisition and has served on the supervisory board of Pieris Operating since October 2014. He is the President and Chief Executive Officer of Amplimmune, Inc., a privately held biologics company focused on cancer and autoimmune diseases which was acquired by Astra Zeneca in 2013, and has held this position since July 2008. From May 2007 through June 2008, he served as President and Chief Operating Officer of Amplimmune, Inc. Prior to such time, Mr. Richman has gained years of experience working in research, intellectual property and business development capacities in companies such as Chiron Corporation (now Novartis), MedImmune, Inc. (now Astra Zeneca) and MacroGenics. He is a member of the board of directors of Opexa Therapeutics, Inc., a public company, Madison Vaccines, Inc., a private company, and was previously director of Cougar Biotechnology until its acquisition by Johnson & Johnson. Mr. Richman obtained his B.S. in genetics/molecular biology at the University of California at Davis and his M.S.B.A. in international business at San Francisco State University. We believe that Mr. Richman adds value to our Board of Directors due to his extensive experience in mergers and acquisitions, business development and strategic planning for life science companies, as well as executive leadership and management experience.

**Steven Prelack.** Mr. Prelack joined the Board of Directors of Pieris effective upon the closing of the Acquisition. Mr. Prelack is the Senior Vice President and Chief Operating Officer of VetCor, which owns and operates veterinary hospitals across the United States, and has served in this position since June 2012. Prior to that time and since May 2010, Mr. Prelack served at VetCor as Senior Vice President of Operations and as Chief Financial Officer. From 2001 until May 2010, he was the Senior Vice President, Chief Financial Officer and Treasurer of VelQuest Corporation, a provider of automated compliance software solutions for the pharmaceutical industry. He is currently a director and audit committee chair of Galectin Therapeutics, Inc., a publicly traded clinical-stage biotechnology company engaged in drug research and development to create new therapies for fibrotic disease and cancer. Mr. Prelack also previously served as director and audit committee chair for BioVex Group, Inc., a clinical-stage biotechnology company focused on the development and future commercialization of targeted treatments for cancer and the prevention of infectious disease, which was sold to Amgen in 2011, and as a director of VelQuest Corporation, OPCAT, Inc. and Foodsafe Solutions, Inc. Mr. Prelack is a Certified Public Accountant, received a B.B.A. degree from the University of Massachusetts at Amherst in 1979 and is a member of the National Association of Corporate Directors. We believe that Mr. Prelack adds value to our Board of Directors due to his extensive executive leadership experience, director experience within the biotechnology sector and his many years serving in senior financial and operational management roles.

### **Term of Office of Directors**

We currently have authorized five directors. In accordance with our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, our board of directors is divided into three classes with staggered three-year terms. At each annual meeting of stockholders commencing with the meeting in 2015, the successors to the directors whose terms then expire will be elected to serve until the third annual meeting following the election. Our directors are divided among the three classes as follows:

- the Class I director is Dr. Christina Takke and her term will expire at the annual meeting of stockholders to be held in 2015;
- the Class II directors are Chau Khuong and Steven Prelack, and their terms will expire at the annual meeting of stockholders to be held in 2016; and
- the Class III directors are Stephen S. Yoder and Michael Richman, and their terms will expire at the annual meeting of stockholders to be held in 2017.

Any additional directorships resulting from an increase in the number of directors will be distributed among the three classes so that each class will consist of approximately one-third of the directors.

### **Family Relationships**

There are no family relationships among any of our current or former directors or executive officers.

### **Involvement in Certain Legal Proceedings**

None of our directors, executive officers, significant employees, promoters or control persons has been involved in any legal proceeding in the past 10 years that would require disclosure under Item 401(f) of Regulation S-K promulgated under the Securities Act.

**Nominations to the Board of Directors**

Director candidates are considered based upon various criteria, including without limitation their broad-based business and professional skills and experiences, expertise in or knowledge of the life sciences industry and ability to add perspectives relating to that industry, concern for the long-term interests of our stockholders, diversity, and personal integrity and judgment. Our Board of Directors has a critical role in guiding our strategic direction and overseeing the management of our business, and accordingly, we seek to attract and retain highly qualified directors who have sufficient time to engage in the activities of our Board of Directors and to understand and enhance their knowledge of our industry and business plans.

## EXECUTIVE COMPENSATION

From the inception of Pieris to the date of this report, no compensation was earned by or paid to any of Pieris' named executive officers, which had consisted of (i) Aleksandrs Sviks, its principal executive officer, and (ii) its next two most highly compensated executive officers other than its principal executive officer serving as an executive officer as of the end of its most recently completed fiscal year and whose total compensation exceeded \$100,000 during that fiscal year (of which there were none).

Pieris Operating became our wholly owned subsidiary upon the closing of the Acquisition on December 17, 2014. The following table summarizes the compensation earned in each of Pieris Operating's fiscal years ended December 31, 2013 and 2012 by the individuals who would have been deemed its named executive officers had Pieris Operating been a reporting company on December 31, 2013. The table below provides compensation information regarding (i) the principal executive officer, (ii) the next two most highly compensated executive officers other than its principal executive officer serving as executive officers as of December 31, 2013 and whose total compensation exceeded \$100,000 during the year ended December 31, 2013 and (iii) an additional executive officer who would have been among the most highly compensated executive officers except for the fact that such executive officer was not employed as an executive officer of Pieris Operating on the last day of the fiscal year. We refer to the executive officers listed below as the Named Executive Officers.

### Summary Compensation Table

Name and Principal Position	Year(1)	Salary	Bonus (\$)	All other compensation (\$)	Total
Stephen S. Yoder	2013	\$303,138	\$34,448	\$ 18,188(2)	\$357,774
Chief Executive Officer, President	2012	\$276,906	\$56,041	\$ 17,406(2)	\$350,353
Claus Schalper	2013(3)	\$190,057	\$17,224	\$ 7,234(4)	\$214,515
Chief Financial Officer, Pieris Operating	2012	\$154,276	\$18,112	\$ 11,867(4)	\$184,255
Dr. Ulrich Moebius	2013	\$121,636	\$12,815	\$ 0	\$134,451
Chief Scientific Officer, Pieris Operating (5)	2012	\$ —	\$ —	\$ 0	\$ —
Dr. Laurent Audoly	2013	\$151,569	\$ 0	\$ 6,890(2)	\$158,459
Former Chief Science Officer (6)	2012	\$276,906	\$33,624	\$ 13,186(2)	\$323,716

- (1) All compensation received by Pieris Operating's executive officers is paid in euros. For the purposes of completing this table, (i) with respect to compensation paid during the fiscal year ended December 31, 2013, Pieris converted each euro denominated amount into U.S. dollars by multiplying the euro amount by the noon buying rate of €1.00 to U.S. \$1.3779 in The City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York as of December 31, 2013 and (ii) with respect to compensation paid during the fiscal year ended December 31, 2012, Pieris converted each euro-denominated amount into U.S. dollars by multiplying the euro amount by the noon buying rate of €1.00 to U.S. \$1.3186 in The City of New York for cable transfers of euro as certified for customs purposes by the Federal Reserve Bank of New York as of December 31, 2012.
- (2) Represents compensation paid for a car allowance.
- (3) Includes all amounts paid to Mr. Schalper as both an employee of Pieris Operating through July 31, 2013 and as an independent consultant to Pieris Operating beginning August 1, 2013.
- (4) Represents compensation paid for commuting expenses, including car expenses.
- (5) Dr. Ulrich Moebius commenced his employment with Pieris Operating as Chief Scientific Officer on July 15, 2013.
- (6) Dr. Audoly resigned as Chief Scientific Officer on June 30, 2013.

### Narrative Disclosure to Summary Compensation Table

#### Employment Agreements

##### *Chief Executive Officer*

Stephen S. Yoder serves as the Chief Executive Officer of Pieris Operating pursuant to a management agreement with Pieris Operating dated August 30, 2009, as amended on March 12, 2012, or the Yoder AG Agreement. The Yoder AG Agreement provides for a term of 18 months with the term automatically extending for additional one year periods until December 31, 2014. Under the terms of the Yoder AG Agreement, Mr. Yoder received an annual base salary of \$289,359 (€210,000), and on January 1, 2013

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we increased Mr. Yoder's annual base salary to \$303,138 (€220,000). In addition, Mr. Yoder is eligible to receive a bonus for each calendar year during the term in an amount up to \$68,895 (€50,000) based upon achievement of certain objectives, each as approved by the supervisory board of Pieris Operating in consultation with Mr. Yoder. Whether Mr. Yoder is determined to have achieved such objectives is determined by the Pieris Operating supervisory board in its sole and absolute discretion. Pursuant to the terms of the Yoder AG Agreement Mr. Yoder is also provided with a car allowance of \$1,516 (€1,100) plus value added tax (VAT) per month.

Under the Yoder AG Agreement, Mr. Yoder is prohibited during the term from setting up, purchasing, or participating directly or indirectly in any competing business of Pieris Operating, excluding the purchase of a non-majority equity interest in such a company where such equity interest also does not block any minority interests within such company. "Competing business" is interpreted as the business areas Mr. Yoder is engaged in while performing his duties under the Yoder AG Agreement during the two-year period prior to the termination of the Yoder AG Agreement, which includes areas of activity concerning the discovery and development of Anticalin® proteins. These restrictions also apply only to the geographical region in which Mr. Yoder engages in business activities during the two-year period prior to the termination of the Yoder AG Agreement. Mr. Yoder is also subject to customary confidentiality obligations, which extend indefinitely following termination of his employment. Mr. Yoder also agreed to assign certain intellectual property rights to Pieris Operating. Set forth under "—Potential Payments upon Termination or Change in Control" below is a description of the payments we will be required to make to Mr. Yoder pursuant to the Yoder AG Agreement in connection with certain termination or change of control events.

On December 17, 2014 in connection with the Acquisition, the Yoder AG Agreement was amended and restated to have Mr. Yoder continue as the Chief Executive Officer of Pieris Operating and to provide him with the compensation and benefits set forth in his employment agreement with Pieris, which is described under "—Employment Arrangements with Executive Officers of Pieris Pharmaceuticals, Inc."

### *Chief Financial Officer*

Prior to August 1, 2013, Mr. Schalper was employed as Chief Financial Officer of Pieris Operating pursuant to the terms of an employment agreement with Pieris Operating, dated February 6, 2008, pursuant to which he was contracted to dedicate 75% of his employed time. The terms of the employment agreement provided that Mr. Schalper received an annual base salary of \$161,214 (€117,000). In addition, Mr. Schalper was eligible to receive a bonus for each calendar year during the term of the agreement in an amount of up to \$13,779 (€10,000) based upon achievement of certain objectives, each as approved by the Pieris Operating supervisory board in consultation with Mr. Schalper. Whether Mr. Schalper was determined to have achieved such objectives was determined by the supervisory board in its discretion. Mr. Schalper was also provided with a commuter allowance, including car expenses, of \$1,033 (€750) per month under the agreement.

Claus Schalper serves as the Chief Financial Officer of Pieris Operating pursuant to a consulting agreement with Pieris Operating effective as of August 1, 2013. The agreement provided for an unlimited term unless earlier terminated if either party provides three months' prior written notice. Under the terms of the consulting agreement, Mr. Schalper receives \$1,102 (€800) per day worked and is subject to customary confidentiality obligations, which extend indefinitely following termination of the consulting agreement. Mr. Schalper also agreed to assign certain intellectual property rights to Pieris Operating.

### *Chief Scientific Officer*

Dr. Ulrich Moebius currently serves as Chief Scientific Officer of Pieris Operating pursuant to an employment agreement with Pieris Operating dated June 26, 2013, as amended on January 28, 2014 and October 21, 2014. The agreement terminates on September 30, 2015 unless earlier terminated if either party provides three months' prior written notice. Dr. Moebius received an initial annual base salary of \$256,289 (€186,000), with any increases to be reviewed by the management board of Pieris Operating on an annual basis. In addition, Dr. Moebius is eligible to receive a bonus for each calendar year during the term of the agreement in an amount of up to 20% of his annual base salary, based upon achievement of certain individual and corporate objectives, each as approved by the supervisory board in consultation with Dr. Moebius.

Dr. Moebius is prohibited during the term of the agreement from (i) engaging in any secondary employment or employment which impairs his employment with Pieris Operating without the prior written consent of Pieris Operating, which shall not be unreasonably withheld, (ii) working, either directly or indirectly, in competition with Pieris Operating or (iii) owning, directly or indirectly, a financial interest in a competing business of Pieris Operating.

Dr. Moebius is also subject to customary confidentiality obligations, which are not limited by the term of the agreement. Dr. Moebius has also agreed to assign certain intellectual property rights to Pieris Operating.

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### *Former Chief Scientific Officer*

Dr. Laurent Audoly resigned as our Chief Scientific Officer as of June 30, 2013. Prior to that time, Dr. Audoly was employed pursuant to an employment agreement with Pieris Operating dated May 14, 2010 under which he received an annual base salary of \$289,359 (€210,000). In addition, Dr. Audoly was eligible to receive a bonus at the end of each calendar year the agreement was in effect in an amount of up to \$41,337 (€30,000) based upon achievement of certain objectives. Dr. Audoly was also provided with a car allowance of \$13,779 (€10,000) per year.

Dr. Audoly is also subject to customary confidentiality obligations, which are not limited by the term of the agreement. Dr. Audoly also agreed to assign certain intellectual property rights to Pieris Operating.

### **Potential Payments upon Termination or Change in Control**

#### *Chief Executive Officer*

Under the terms of the Yoder AG Agreement, in the event Pieris Operating sold its shares or assets, or a Sale Event, Mr. Yoder would have been eligible to receive a cash payment equivalent to a 2.5% equity interest in the transaction value, or the Ownership Stake. If the Sale Event resulted in a purchase price of greater than \$206.7 million (€150 million), Mr. Yoder would also have been entitled to a fee based upon the net proceeds of the offering as follows: (i) if the Sale Event resulted in a purchase price of greater than \$206.7 million (€150 million) but less than or equal to \$275.6 million (€200 million), 0.25% of all net proceeds; (ii) if the Sale Event resulted in a purchase price of greater than \$275.6 million (€200 million) but less than or equal to \$344.5 million (€250 million), 0.5% of all net proceeds; (iii) if the Sale Event resulted in a purchase price of greater than \$344.5 million (€250 million) but less than or equal to \$413.4 million (€300 million), 0.75% of all net proceeds; and (iv) if the Sale Event resulted in a purchase price of greater than \$413.4 million (€300 million), 1.0% of all net proceeds, *provided that*, in the case of each of (i) through (iv), such net proceeds would be calculated after the deduction of all applicable transaction costs, or the Success Fee. If an additional dilutive financing round by Pieris Operating occurred, the Ownership Stake and Success Fee could be adjusted by the supervisory board of Pieris Operating accordingly, acting in good faith.

In the event that (i) Mr. Yoder's employment was terminated by Pieris Operating by non-renewal of the employment agreement within six or 12 months following the Sale Event and (ii) the net proceeds of the Sale Event were to exceed \$206.7 million (€150 million), the amount of the Ownership Stake and the Success Fee would be reduced by 33% and 67%, respectively. In the event Pieris Operating terminated the employment agreement for cause, Mr. Yoder would not be entitled to the Ownership Stake or the Success Fee.

Pieris Operating and Mr. Yoder determined that the Acquisition was not deemed a Sale Event under the terms of the Yoder AG Agreement, and Mr. Yoder has expressly waived, in connection with the Acquisition, any claims under the Yoder AG Agreement for any payments in connection therewith.

### **Equity Compensation issued to Named Executive Officers**

Prior to the Acquisition, Pieris Operating had in place a performance-based cash settled option plan that provided for the issuance of cash based on the increase in the value of the stock of Pieris Operating if the performance condition was achieved on or before December 31, 2013. The plan and the awards issued thereunder expired by their terms on December 31, 2013 and no payments were made thereunder.

### **Description of Pieris Plan**

In December 2014, our Board of Directors and stockholders adopted the 2014 Employee, Director and Consultant Equity Incentive Plan, or the Pieris Plan, which became effective upon closing of the Acquisition. The Pieris Plan is intended to encourage ownership of common stock by our employees and directors and certain of our consultants, including employees of Pieris Operating, in order to attract and retain such people, to induce them to work for the benefit of us and to provide additional incentive for them to promote our success. The Pieris Plan reserves for issuance 3,200,000 shares of our common stock. In addition the Pieris Plan provides for an "evergreen" provision whereby the number of shares of our common stock reserved for issuance under the Pieris Plan shall be automatically increased on January 1 of each of year commencing in fiscal 2016 by the lesser of (i) 1,000,000 shares, (ii) 4% of the number of shares of our common stock outstanding on such date, and (iii) such other amount determined by the administrator. As of the date of this Current Report on Form 8-K, options to purchase 1,430,000 shares of our common stock have been issued under the Pieris Plan to our executive officers and directors, and options to purchase 1,089,500 shares have been issued under the Pieris Plan to other employees and consultants. For additional information, see "Executive Compensation—Director Compensation" and "Executive Compensation—Employment Arrangements with Executive Officers of Pieris Pharmaceuticals, Inc." As a result of such grants, 680,500 shares of our common stock remain available for future issuances under the Pieris Plan.



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*Types of Awards.* The Pieris Plan provides for the granting of incentive stock options, non-qualified stock options, stock grants and other stock-based awards, including restricted stock units.

- *Incentive and Non-qualified Stock Options.* The plan administrator determines the exercise price of each stock option. The exercise price of a non-qualified stock option may not be less than the fair market value of our common stock on the date of grant. The exercise price of an incentive stock option may not be less than the fair market value of our common stock on the date of grant if the recipient holds 10% or less of the combined voting power of our securities, or 110% of the fair market value of a share of our common stock on the date of grant otherwise.
- *Stock Grants.* The plan administrator may grant stock, including restricted stock, to any participant, which purchase price, if any, may not be less than the par value of shares of our common stock. The stock grant will be subject to the conditions and restrictions determined by the administrator. The recipient of a stock grant shall have the rights of a stockholder with respect to the shares of stock as of the grant date.
- *Stock-Based Awards.* The administrator of the Pieris Plan may grant other stock-based awards, including stock appreciation rights, phantom stock awards and restricted stock units, with terms approved by the administrator, including restrictions related to the awards. The holder of a stock-based award shall not have the rights of a stockholder until shares of our common stock are issued pursuant to such award.

*Plan Administration.* Our Board of Directors is the administrator of the Pieris Plan, except to the extent it delegates its authority to a committee, in which case the committee shall be the administrator. The administrator has the authority to determine the recipients of the awards, the terms of awards, including exercise and purchase price, the number of shares subject to awards, the vesting schedule applicable to awards, the form of consideration, if any, payable upon exercise or settlement of an award and the terms of award agreements for use under the Pieris Plan. In addition, the administrator may amend any term or condition of any outstanding award including, without limitation, to reduce or increase the exercise price or purchase price, accelerate the vesting schedule or extend the expiration date, provided that no such amendment shall impair the rights of a participant without such participant's consent.

*Eligibility.* The administrator will determine the participants in the Pieris Plan from among our employees, directors and consultants. A grant may be approved in advance with the effectiveness of the grant contingent and effective upon such person's commencement of service within a specified period. No participant may receive awards for more than 1,500,000 shares of our common stock in any fiscal year.

*Termination of Service.* Unless otherwise provided by the administrator or in an award agreement, upon a termination of a participant's service, all unvested options then held by the participant will terminate and all other unvested awards will be forfeited.

*Transferability.* Awards under the Pieris Plan may not be transferred except by will or by the laws of descent and distribution, unless otherwise provided by our board in its discretion and set forth in the applicable agreement, provided that no award may be transferred for value.

*Adjustment.* In the event of a stock dividend, stock split, recapitalization or reorganization or other change in change in capital structure, the administrator will make appropriate adjustments to the number and kind of shares of stock or securities subject to awards.

*Corporate Transaction.* Upon a merger, consolidation or sale of all or substantially all of our assets, the administrator, or the board of directors of any corporation assuming our obligations, may, in its sole discretion, take any one or more of the following actions pursuant to our plan, as to some or all outstanding awards:

- provide that outstanding options will be assumed or substituted for shares of the successor corporation or consideration payable with respect to our outstanding stock in connection with the corporate transaction;
- provide that the outstanding options must be exercised within a certain number of days, either to the extent the options are then exercisable, or at the administrator's discretion, any such options being made partially or fully exercisable;
- terminate outstanding options in exchange for payment of an amount equal to the difference between (a) the consideration payable upon consummation of the corporate transaction to a holder of the number of shares into which such option would have been exercisable to the extent then exercisable (or, in the administrator's discretion, any such options being made partially or fully exercisable) and (b) the aggregate exercise price of those options;
- provide that outstanding awards will be assumed or substituted for shares of the successor corporation, become realizable or deliverable, or restrictions applicable to an award will lapse, in whole or in part, prior to or upon the corporate transaction; and

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- terminate outstanding stock grants in exchange for payment of any amount equal to the consideration payable upon consummation of the corporate transaction to a holder of the same number of shares comprising the stock grant, to the extent the stock grant is no longer subject to any forfeiture or repurchase rights (or, at the administrator's discretion, all forfeiture and repurchase rights being waived upon the corporate transaction).

*Amendment and Termination.* The Pieris Plan will terminate on December 17, 2024 or at an earlier date by vote of the stockholders or our Board of Directors; provided, however, that any such earlier termination shall not affect any awards granted under the Pieris Plan prior to the date of such termination. The Pieris Plan may be amended by our Board of Directors, except that our Board of Directors may not alter the terms of the Pieris Plan if it would adversely affect a participant's rights under an outstanding stock right without the participant's consent. Stockholder approval will be required for any amendment to the Pieris Plan to the extent such approval is required by law, include the Internal Revenue Code or applicable stock exchange requirements.

Upon the closing of the Acquisition, Pieris granted a stock option to Mr. Yoder under the Pieris Plan to purchase 1,280,000 shares of our common stock with the exercise price being the fair market value of our common stock on the date of grant. 25% of the option shall vest immediately upon grant and (ii) 75% of the option shall vest ratably over three (3) years in equal installments on a quarterly basis beginning on the last day of the next calendar quarter after the date of grant, subject to Mr. Yoder's continued employment.

### **Employment Arrangements with Executive Officers of Pieris Pharmaceuticals, Inc.**

#### **Chief Executive Officer**

Stephen S. Yoder serves as our President and Chief Executive Officer pursuant to an employment agreement dated December 17, 2014, or the Yoder Employment Agreement. The Yoder Employment Agreement provides for a continuous term and may be terminated by either party at any time, provided that if Mr. Yoder resigns he shall provide us with at least 90 days' prior written notice. Mr. Yoder will initially receive an annual base salary of \$375,000, and any adjustments thereto shall be subject to review in the sole discretion of the Board of Directors, or a committee of the Board of Directors. In addition, Mr. Yoder is eligible to receive an annual discretionary bonus of up to forty percent (40%) of Mr. Yoder's then-effective annual base salary, based upon achievement of individual and corporate performance objectives as determined by the Board of Directors or a committee thereof. Mr. Yoder is entitled to participate in any employee benefit programs, plans and practices on the same terms as other salaried employees on a basis consistent with the participation of other senior executives, provided, however, that while Mr. Yoder remains employed outside the United States we shall only be responsible for 50% of the total cost of health insurance for Mr. Yoder's spouse and children. Mr. Yoder will also be provided with a monthly automobile allowance while he is employed outside of the United States and up to \$25,000 of relocation expenses in the event Mr. Yoder relocates to the United States. On the effective date of the Acquisition, Mr. Yoder was granted a stock option to purchase 1,280,000 shares of our common stock with the exercise price being the fair market value at the time of grant. The option is subject to and governed by the terms of the Pieris Plan and a stock option agreement, which stock option agreement provides for a ten year term, and that (i) 25% of the option shall vest immediately upon grant and (ii) 75% of the option shall vest ratably over three (3) years in equal installments on a quarterly basis beginning on the last day of the next calendar quarter after the date of grant, subject to Mr. Yoder's continued employment.

Under the Yoder Employment Agreement, Mr. Yoder is prohibited during the term of the agreement, subject to certain exceptions, from (i) accepting any other employment or consultancy, (ii) serving on the board of directors or similar body of any other entity, unless approved by the Chairman of the Board of Directors, and (iii) acquiring, assuming or participating in, directly or indirectly, any financial position, investment or interest known by Mr. Yoder to be adverse or antagonistic to Pieris, its business or prospects, financial or otherwise, or in any competing business.

The agreement contains (i) customary confidentiality obligations which are not limited by the term of the agreement, (ii) certain non-compete provisions extending during the term of the agreement and one year thereafter and (iii) certain non-solicitation provisions during the term of the agreement and for one year thereafter. Mr. Yoder also agreed to assign certain intellectual property rights to Pieris.

All compensation and benefits to be paid to Mr. Yoder pursuant to the Yoder Employment Agreement other than the equity awards shall be paid to Mr. Yoder through the terms and conditions of the Yoder AG Agreement with Pieris Operating, as amended and restated, for so long as Mr. Yoder remains employed at Pieris Operating. Upon termination of the Yoder AG Agreement provided that the Yoder Employment Agreement is still in effect, all compensation shall be paid by Pieris.

#### *Termination for Any Reason*

Upon termination of Mr. Yoder for any reason, Mr. Yoder will receive all earned but unpaid salary, any accrued vacation time, any vested benefits he may have under any employee benefit plan and any unpaid expense reimbursement accrued through the date of termination, or the Accrued Obligations.

#### *Termination by us for Without Cause or by Executive for Good Reason*

If Mr. Yoder's employment is terminated (i) by us without cause or (ii) by him for good reason, then we must pay Mr. Yoder (i) the Accrued Obligations earned through the date of termination, (ii) a lump-sum payment comprised of (a) an amount equal to 12 months of his base salary at the time of his termination, and (b) a pro rata portion of the bonus for the year in which the termination occurs, based on year-to-date performance as determined by the Board of Directors, or a committee thereof, in its sole discretion, and (iii) an amount equal to his health insurance premium, paid directly or as a reimbursement to Mr. Yoder, for up to a maximum of 12 months. Payments under items (i) – (iii) above are sometimes referred to in this section as Severance. All unvested equity awards held by Mr. Yoder will immediately vest in full and become exercisable following termination and any forfeiture restrictions will immediately lapse. The Severance and acceleration of any unvested options is expressly conditioned on Mr. Yoder executing and delivering to Pieris a release of claims.

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### *Termination upon a Change of Control*

If Mr. Yoder's employment is terminated (i) by us without cause or (ii) by Mr. Yoder for good reason within 12 months following a change in control, and Mr. Yoder executes and delivers to Pieris a release of claims, then Mr. Yoder shall receive (i) the Accrued Obligations earned through the date of termination, (ii) a lump-sum payment comprised of (a) an amount equal to 12 months of his base salary at the time of his termination, and (b) the target bonus for the year in which the termination occurs, and (iii) an amount equal to his health insurance premium, paid directly or as a reimbursement to Mr. Yoder, for up to a maximum of 12 months. All unvested equity awards will immediately vest in full and become exercisable following termination and any forfeiture restrictions will immediately lapse.

For purposes of the Yoder Employment Agreement, "cause" shall mean the occurrence of any of the following events, as determined by the Board of Directors or a committee designated by the Board of Directors, in its sole discretion: (i) Mr. Yoder's commission of any felony or any crime involving fraud, dishonesty, or moral turpitude under the laws of Germany, the United States or any state thereof; (ii) Mr. Yoder's attempted commission of, or participation in, a fraud against Pieris; (iii) Mr. Yoder's intentional, material violation of any contract or agreement between Mr. Yoder and Pieris or of any statutory duty owed to Pieris; (iv) Mr. Yoder's unauthorized use or disclosure of Pieris' confidential information or trade secrets; or (v) Mr. Yoder's gross misconduct.

For purposes of the Yoder Employment Agreement, "good reason" means Mr. Yoder's resignation from all positions he then holds with Pieris if (i) (a) there is a material diminution in Mr. Yoder's duties and responsibilities with Pieris; (b) there is a material reduction of Mr. Yoder's base salary; provided, however, that a material reduction in Mr. Yoder's base salary pursuant to a salary reduction program affecting all or substantially all of the employees of Pieris and that does not adversely affect Mr. Yoder to a greater extent than other similarly situated employees shall not constitute good reason; or (c) Mr. Yoder is required to relocate Mr. Yoder's primary work location to a facility or location that would increase Mr. Yoder's one-way commute distance by more than fifty (50) miles from Mr. Yoder's primary work location as of immediately prior to such change, (ii) Mr. Yoder provides written notice outlining such conditions, acts or omissions to Pieris within thirty (30) days immediately following such material change or reduction, (iii) such material change or reduction is not remedied by Pieris within thirty (30) days following Pieris' receipt of such written notice and (iv) Mr. Yoder's resignation is effective not later than thirty (30) days after the expiration of such thirty (30) day cure period.

For purposes of the Yoder Employment Agreement, a "change in control" shall be deemed to occur (i) when any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act becomes the "Beneficial Owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of Pieris representing 50% or more of the total voting power represented by Pieris' then outstanding voting securities (excluding for this purpose any such voting securities held by the Pieris or its affiliates or by any employee benefit plan of Pieris) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or (ii) a merger or consolidation of Pieris whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of Pieris outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of Pieris or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (iii) the sale or disposition by Pieris of all or substantially all of its assets in a transaction requiring stockholder approval.

### **Acting Chief Financial Officer**

From November 19, 2014 to December 17, 2014, Darlene Deptula-Hicks was engaged pursuant to a consulting agreement with the financial advisory firm Danforth Advisors, LLC, or Danforth, as a financial consultant to Pieris Operating, providing financial services relating to the Acquisition. As of the effectiveness of the Acquisition, she was appointed as the Acting Chief Financial Officer, Secretary and Treasurer of Pieris and will continue to provide financial services through the Danforth consulting agreement. Pursuant to the Danforth consulting agreement, Pieris will pay Danforth \$280 per hour for her services. The current term of the Danforth consulting agreement expires on November 19, 2015, which term may be extended for an additional period by mutual written consent of Pieris and Danforth. The agreement may be terminated by either Pieris or Danforth for cause upon 30 days' prior written notice or without cause upon 60 days' prior written notice. "Cause" shall include (i) a breach of the terms of the consulting agreement which is not cured within thirty (30) days of written notice of such default or (ii) the commission of any act of fraud, embezzlement or deliberate disregard of a rule or policy of Pieris. The Danforth consulting agreement contains customary confidentiality obligations which apply to both Danforth and Ms. Deptula-Hicks and extend for a period of five years. In addition, we may not solicit employees or contractors of Danforth for so long as such individuals are contractual agents of Danforth and for a period of one year thereafter. Should Danforth refer an employee or consultant to Pieris, Danforth is entitled to a fee of 10% of such employee's starting base salary. Further, we shall indemnify and hold harmless Danforth and Ms. Deptula-Hicks against any claims, losses, damages, or liabilities (or actions in respect thereof) that arise out of or are based on the services performed by Danforth or Ms. Deptula-Hicks for us, except for any such claims, losses, damages or liabilities arising out of the gross negligence or willful misconduct of Danforth or Ms. Deptula-Hicks.

## Director Compensation

No compensation was paid to our non-employee directors who served Pieris Operating for their role as directors during the year ended December 31, 2013. Since our inception, no compensation was paid to Aleksandrs Sviks, the former sole director of Pieris. We do not currently have a director compensation policy in effect, but we intend to adopt a policy to compensate our non-employee directors.

For the year ended December 31, 2013, the supervisory board of Pieris Operating consisted of Dr. Hans A. Küpper, Edwin W. de Graaf, Prof. Dr. Arne Skerra, Dr. Michael Sheffery, Dr. Christina Takke and Chau Khuong. As of the date hereof, the supervisory board of Pieris Operating consists of Dr. Christina Takke, Chau Khuong and Michael Richman. In 2001, Pieris Operating entered into a consulting agreement with Dr. Skerra, pursuant to which Dr. Skerra provides advice regarding the use of new proteins for the purpose of research and development. For each of the years ended December 31, 2013 and December 31, 2012, Pieris Operating paid Dr. Skerra €20,000 (\$27,558) under the consulting agreement. Upon the closing at the Acquisition, in lieu of further cash payments Pieris granted a stock option to Dr. Skerra to purchase 100,000 shares of our common stock. The option is subject to and governed by the terms of the Pieris Plan and a stock option agreement, which stock option agreement provides for a ten year term, and that (i) 25% of the option shall vest immediately upon grant and (ii) 75% of the option shall vest ratably over three (3) years in equal installments on a quarterly basis beginning on the last day of the next calendar quarter after the date of grant, subject to Dr. Skerra's continued engagement as a consultant.

Upon the closing of the Acquisition, Pieris granted a stock option to Michael Richman to purchase 60,000 shares of our common stock and granted stock options to purchase 30,000 shares of our common stock to each of our other non-employee directors under the Pieris Plan, each with the exercise price equal to the fair market value of our common stock on the date of grant. Each of the options are subject to and governed by the terms of the Pieris Plan and a stock option agreement, which stock option agreement provides for a ten year term and that the option shall vest ratably over three (3) years in equal installments on a quarterly basis beginning on the last day of the next calendar quarter after the date of grant, subject to the non-employee director's continued service.

## CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

### Related Party Transactions

*Pieris (Pieris Pharmaceuticals, Inc., formerly known as Marika Inc.)*

Except as described below, since our inception in May 2013, there has not been, nor is there currently proposed, any transaction to which Pieris is or was a party in which the amount involved exceeds the lesser of \$120,000 and 1% of the average of its total assets at year-end for the last two completed fiscal years, and in which any of our current directors, executive officers, holders of more than 5% of any class of our voting securities or any of their respective affiliates or immediate family members, had, or will have, a direct or indirect material interest.

We were incorporated in Nevada in May 2013 as Marika Inc. In connection with our incorporation, Aleksandrs Sviks was appointed the sole director of Marika Inc., and in such capacity Mr. Sviks appointed himself as President, Chief Executive Officer, Chief Financial Officer, Treasurer and Secretary. On June 26, 2013, Marika Inc. issued 5,000,000 shares of common stock to Mr. Sviks, in exchange for an aggregate payment of \$5,000 (or \$0.001 per share).

Upon the closing of the Acquisition, Pieris and its former majority stockholder, Aleksandrs Sviks, entered into a Split-Off Agreement and General Release Agreement pursuant to which Pieris transferred all of its pre-Acquisition operating assets and liabilities to the Split-Off Subsidiary. Pursuant to such agreements, Pieris transferred all of the outstanding shares of capital stock of Split-Off Subsidiary to Mr. Sviks in consideration of and in exchange for (i) the surrender and cancellation of an aggregate of 11,363,635 shares of Pieris common stock held by Mr. Sviks (which were cancelled and will resume the status of authorized but unissued shares of Pieris common stock) and (ii) certain representations, covenants and indemnities. Under the terms of a General Release Agreement, dated December 17, 2014, among Pieris, Split-Off Subsidiary and Aleksandrs Sviks, Split-Off Subsidiary and Mr. Sviks agreed to a general release of all claims and liabilities of Pieris and Pieris Operating, as well as certain other customary covenants. The descriptions of the Split-Off Agreement and the General Release Agreement set forth in this report are qualified in their entirety by reference to the full text of those documents, which are attached hereto as Exhibit 10.33 and Exhibit 10.34, respectively, and are incorporated herein by reference.

We have entered into indemnification agreements with each of our directors and executive officers. Each of those indemnification agreements is in the form approved by our Board of Directors. Reference is made to the description of the indemnification agreements included under the heading "Indemnification of Directors and Officers," which description is incorporated herein by reference. The description of the indemnification agreements set forth in this report is qualified in its entirety by reference to the full text of the form indemnification agreement, which is attached hereto as Exhibit 10.10 and is incorporated herein by reference.

### *Pieris Operating*

Except as described below and except for employment compensation, since January 1, 2011, there has not been, nor is there currently proposed, any transaction to which it was or is a party in which the amount involved exceeds the lesser of \$120,000 and 1% of the average of Pieris Operating's total assets at year-end for the last two completed fiscal years, and in which any of its directors, executive officers, holders of more than 5% of any class of its voting securities or any of their respective affiliates or immediate family members, had, or will have, a direct or indirect material interest.

In 2001, Pieris Operating entered into a consulting agreement with Dr. Arne Skerra, who was a member of the Pieris Operating supervisory board, pursuant to which Dr. Skerra provides advice regarding the use of new proteins for the purpose of research and development. For each of the years ended December 31, 2013 and December 31, 2012, Pieris Operating paid Dr. Skerra €20,000 (\$27,558) under the consulting agreement.

In July 2007, Pieris Operating entered into a Research and Licensing Agreement with Technische Universität München, or TUM and the TUM License Agreement. The TUM License Agreement granted certain licenses and protective rights to Pieris Operating related to Anticalin®-brand drug and lipocalin research and Anticalin technology developed by a research team led by Dr. Arne Skerra, who is

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employed by TUM as Chair of Biological Chemistry. For these licenses and rights, Pieris Operating paid TUM €15,000 (\$20,669) in each of 2011 and 2012 and €50,000 (\$68,895) in 2013, as well as additional payments of €101,250 (\$139,512), €102,000 (\$140,546) and €25,500 (\$35,137) in 2011, 2012 and 2013, respectively, for the research conducted in subsequent project stages.

Pieris Operating is the project coordinator and a participant of the European Consortium for Anticalin<sup>®</sup> proteins as next generation high-affinity protein therapeutics, or EUROCALIN, collaborative research project, a drug development collaboration among ten distinct companies and academic institutions across Europe funded in large part by the European Commission under its FP7 HEALTH program pursuant to a Consortium Agreement dated November 21, 2011, or the Consortium Agreement, and the Grant Agreement No. 278408 dated November 21, 2011, or the FP7 Grant Agreement. EUROCALIN received a €6.0 million (\$8.3 million) grant from the European Union in 2011. TUM is also a member of the EUROCALIN consortium and is entitled to payments under the FP7 Grant Agreement. Pursuant to the FP7 Grant Agreement, in 2011, 2012 and 2013, Pieris Operating, as project coordinator, paid TUM €0 (\$0), €62,900 (\$86,670) and €65,400 (\$90,115), respectively out of the grant funds.

In November 2012, Pieris Operating entered into the 2012 Bridge Loan. In connection with the financing, Pieris Operating received (i) €492,113 (\$678,083) from OrbiMed Private Investments III, LP, or OPI III, (ii) €4,687 (\$6,458) from OrbiMed Associates III, LP, an affiliate of OPI III, or Associates III, (iii) €421,015 (\$580,117) from Gilde Europe Food & Agribusiness Fund B.V., or Gilde, (iv) €219,225 (\$302,070) from Coöperatieve AAC LS U.A. (Forbion), or Forbion, (v) €252,173 (\$347,469) from The Global Life Science Ventures Funds II GmbH & Co. KG, or Global Life KG, (vi) €196,145 (\$270,268) from The Global Life Science Ventures Fund II LP, an affiliate of Global Life KG, or Global Life LP, (vii) €199,606 (\$275,037) from Novo Nordisk A/S, or Novo and (viii) €164,751 (\$227,010) from BioM AG, or BioM. The 2012 Bridge Loan accrued interest at a rate of 12% per year and had a maturity date of December 31, 2013, after which the loan amounts began to accrue interest at a rate of 18% per year. In 2012, Pieris Operating accrued interest in the amounts of €3,445 (\$4,747), €33 (\$46), €3,368 (\$4,641), €1,461 (\$2,013), €1,008 (\$1,389), €0 (\$0), €1,397 (\$1,925) and €1,373 (\$1,892) under the loans to OPI III, Associates III, Gilde, Forbion, Global Life KG, Global Life LP, Novo and BioM, respectively. In 2013, Pieris Operating accrued interest in the amounts of €59,054 (\$81,371), €562 (\$774), €50,522 (\$69,614), €26,307 (\$36,248), €30,261 (\$41,647), €23,537 (\$32,432), €23,953 (\$33,005) and €19,770 (\$27,241) to OPI III, Associates III, Gilde, Forbion, Global Life KG, Global Life LP, Novo and BioM, respectively. BioM Venture Capital GmbH & Co. KG, or BioM Venture, who, as of the date of execution of the 2012 Bridge Loan was a holder of more than 5% of the outstanding capital stock of Pieris Operating, is an affiliate of BioM.

In March 2014, the 2012 Bridge Loan was amended. Pursuant to the terms of the amendment, (i) the outstanding amount under the 2012 Bridge Loan was reduced by a \$400,000 payment to the holders under the 2012 Bridge Loan and (ii) the maturity date was extended to December 31, 2015. Due to the extension, interest under the amended facility accrued at a rate of 12% per year. In connection with the amended financing, Pieris Operating had total repayment amounts owed by Pieris Operating of (i) \$98,423 from OPI III, (ii) \$937 from Associates III, (iii) \$84,203 from Gilde, (iv) \$43,845 from Forbion, (v) \$50,435 from Global Life KG, (vi) \$39,229 from Global Life LP, (vii) \$39,921 from Novo, and (viii) \$32,950 from BioM. BioM Venture, as of the date of execution of the amendment, was a holder of more than 5% of the outstanding capital stock of Pieris Operating. Immediately prior to the 2014 Series C Financing, as defined below, there was €2,000,000 (\$2,755,800) outstanding under the 2012 Bridge Loan, as amended. As of December 17, 2014 and pursuant to the terms of the 2014 Series C Financing under which the outstanding indebtedness was converted to equity, there were no amounts outstanding under the 2012 Bridge Loan, as amended.

In April 2014, Pieris Operating entered into a second bridge loan agreement, or the 2014 Bridge Loan, with certain of its stockholders pursuant to which Pieris Operating received a commitment for financing in the aggregate amount of €2,000,000 (\$2,755,800), which loan amounts, if called by Pieris Operating, would be convertible into shares of Pieris Operating after the maturity date or upon the occurrence of certain events. The 2014 Bridge Loan included two tranches of available financing: (i) Tranche A of €1,500,000 (\$2,066,850) and (ii) Tranche B of €500,000 (\$688,950). The Tranche A financing commitment consisted of commitments of (i) €598,400 (\$824,535) from OPI III, (ii) €3,751 (\$5,169) from Associates III, (iii) €149,705 (\$206,279) from Novo, (iv) €126,560 (\$174,387) from Global Life KG, (v) €98,440 (\$135,641) from Global Life LP, (vi) €225,000 (\$310,028) from Gilde, (vii) €97,500 (\$134,345) from Forbion, (viii) €150,000 (\$206,685) from Baytech Venture Capital GmbH & Co. KG, or Baytech, and (ix) €10,310 (\$14,206) from BioM. The Tranche B financing commitment consisted of (i) €199,497 (\$274,887) from OPI III, (ii) €1,250 (\$1,722) from Associates III, (iii) €49,902 (\$68,760) from Novo, (iv) €42,197 (\$58,143) from Global Life KG, (v) €32,813 (\$45,213) from Global Life LP, (vi) €75,000 (\$103,343) from Gilde, (vii) €32,500 (\$44,782) from Forbion, (viii) €50,000 (\$68,895) from Baytech and (ix) €10,310 (\$14,206) from BioM. BioM Venture and Baytech, as of the date of execution of the 2014 Bridge Loan, were holders of more than 5% of the outstanding capital stock of Pieris Operating. In June 2014, Pieris Operating borrowed 67% of Tranche A, which equals €1,000,000 (\$1,377,900). The amount borrowed consisted of funds of (i) €398,993 (\$549,773) from OPI III, (ii) €2,501 (\$3,446) from Associates III, (iii) €99,803 (\$137,519) from Novo, (iv) €84,373 (\$116,258) from Global Life KG, (v) €65,627 (\$90,427) from Global Life LP, (vi) €150,000 (\$206,685) from Gilde, (vii) €65,000 (\$89,564) from Forbion, (viii) €100,000 (\$137,790) from Baytech, and (ix) €6,873 (\$9,470) from BioM. Loan amounts outstanding under the 2014 Bridge Loan accrued interest at a rate of 12% per year and had a maturity date of December 31, 2015, after which the loan amounts would accrue interest at



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a rate of 18% per year. Immediately prior to the 2014 Series C Financing, as defined below, there was €1,000,000 (\$1,377,900) outstanding under the 2014 Bridge Loan. In September 2014 and in connection with the 2014 Series C Financing, the stockholder parties to the 2014 Bridge Loan invested the remaining €1,000,000 (\$1,377,900) commitment under the bridge loan in cash directly in the 2014 Series C Financing, including funds of (i) €398,994 (\$549,774) from OPI III, (ii) €2,500 (\$3,445) from Associates III, (iii) €99,803 (\$137,519) from Novo, (iv) €84,373 (\$116,258) from Global Life KG, (v) €65,627 (\$90,427) from Global Life LP, (vi) €150,000 (\$206,685) from Gilde, (vii) €65,000 (\$89,564) from Forbion, (viii) €100,000 (\$137,790) from Baytech, and (ix) €6,874 (\$9,472) from BioM, which was treated as new investment under the 2014 Series C Financing, or the Convertible Cash Investment. As of December 17, 2014 and pursuant to the 2014 Series C Financing under which the outstanding indebtedness was converted to equity, there were no amounts outstanding under the 2014 Bridge Loan.

On October 10, 2014, Pieris Operating entered into an investment agreement and consolidated shareholders' agreement, each dated October 10, 2014, pursuant to which (i) the aggregate outstanding amounts under the 2012 Bridge Loan, as amended, and 2014 Bridge Loan of €3,000,000 (\$4,133,700) were converted into shares of Series C Preferred Stock of Pieris Operating and (ii) Pieris Operating received a cash investment, including the Convertible Cash Investment, in the aggregate amount of €5,970,149 (\$8,226,268) shares of Series C Preferred Stock, or the 2014 Series C Financing.

The converted bridge loan portion of the 2014 Series C Financing included (a) €2,000,000 (\$2,755,800) outstanding under the 2012 Bridge Loan, as amended, including funds of (i) €492,113 (\$678,083) from OPI III, (ii) €4,687 (\$6,458) from Associates III, (iii) €421,015 (\$580,117) from Gilde, (iv) €219,225 (\$302,070) from Forbion, (v) €252,173 (\$347,469) from Global Life KG, (vi) €196,145 (\$270,268) from Global Life LP, (vii) €199,606 (\$275,037) from Novo and (viii) €164,751 (\$227,010) from BioM and (b) €1,000,000 (\$1,377,900) outstanding under the 2014 Bridge Loan including funds of (i) €398,994 (\$549,774) from OPI III, (ii) €2,500 (\$3,445) from Associates III, (iii) €99,803 (\$137,519) from Novo, (iv) €84,373 (\$116,258) from Global Life KG, (v) €65,627 (\$90,427) from Global Life LP, (vi) €150,000 (\$206,685) from Gilde, (vii) €65,000 (\$89,564) from Forbion, (viii) €100,000 (\$137,790) from Baytech, and (ix) €6,874 (\$9,472) from BioM.

The cash investment portion of the 2014 Series C Financing provided for two tranches of available financing. The first tranche consisted of a cash investment of €3,552,646 (\$4,895,191) and the second tranche consisted of a cash investment of €1,417,503 (\$1,965,177). In addition, the cash investment portion of the 2014 Series C Financing included €1,000,000 (\$1,377,900) from the Convertible Cash Investment as described above. In October to November 2014, the first tranche of the 2014 Series C Financing was consummated, consisting of an issuance of an aggregate of 1,629,469 shares of Series C Preferred Stock, including funds of (i) €2,218,972 (\$3,057,526) from OPI III, (ii) €19,843 (\$27,342) from Associates III, (iii) €150,000 (\$206,685) from Gilde, (iv) €65,000 (\$89,564) from Forbion, (v) €84,373 (\$116,258) from Global Life KG, (vi) €65,627 (\$90,427) from Global Life LP, (vii) €99,803 (\$137,519) from Novo, (viii) €6,874 (\$9,472) from BioM, (ix) €275,000 (\$378,923) from Baytech and (x) €1,492,537 (\$2,056,567) from Cadila Healthcare Limited, or Zydus. In November to December 2014, the second tranche of the 2014 Series C Financing was consummated, consisting of the issuance of an aggregate of 234,877 shares of Series C preferred stock including funds of €579,861 (\$798,990) from Mark N. Tompkins.

In the aggregate, as of December 17, 2014, Pieris Operating has received approximately €51.7 million (\$71.2 million) in equity investments from its stockholders as follows: (i) in 2001, seed round financing of €0.6 million (\$0.8 million); (ii) in 2002, two tranches of Series A financing in an aggregate amount of approximately €12.2 million (\$16.8 million); (iii) in 2006, Series A-1 financing of approximately €4.9 million (\$6.8 million), (iv) in 2008, two tranches of Series B financing in an aggregate of approximately €25.0 million (\$34.5 million); and (v) the 2014 Series C Financing of approximately €9.0 million (\$12.4 million). Our stockholders have invested in these activities in the following aggregate amounts: (i) approximately €13.1 million (\$18.1 million) from OPI III and Associates III; (ii) approximately €8.0 million (\$11.0 million) from Global Life KG and Global Life LP; (iii) approximately €7.9 million (\$10.9 million) from Gilde; (iv) approximately €5.4 million (\$7.4 million) from Novo; (v) approximately €4.8 million (\$6.6 million) from Forbion; (vi) approximately €3.4 million (\$4.7 million) from Baytech; (vii) an aggregate of approximately €2.7 million (\$3.7 million) from Bio M and BioM Venture, an affiliate of BioM, (viii) approximately €1.5 million (\$2.1 million) from Zydus, and (ix) approximately €0.6 million (\$0.8 million) from Mark N. Tompkins. Other stockholders invested in aggregate approximately €4.4 million (\$6.1 million).

Each of OPI III, Gilde, Forbion, Global Life KG, Global Life LP, Novo, Baytech and Zydus was a holder of more than 5% of the outstanding capital stock of Pieris Operating prior to the closing of the Acquisition, and each of OPI III, Gilde, Forbion, Global Life KG, Novo, Zydus and Mark N. Tompkins is a holder of more than 5% of the outstanding capital stock of Pieris as of December 17, 2014 giving effect to the Acquisition. Former members of the supervisory board of Pieris Operating are associated with these 5% stockholders as follows: Dr. Michael Sheffery is a Partner Emeritus at OrbiMed Advisors LLC, which is the general partner of Associates III and the sole managing member of OPI III, Dr. Hans A. Küpper is a managing director of The Global Life Sciences Ventures GmbH, which is the general partner of Global Life KG and advisor to Global Life LP, and Edwin de Graaf is the managing director of Glide Healthcare Holding B.V., the parent company of Gilde Agribusiness Management B.V., the manager of Gilde. Further, Chau Khuong, a current member of our Board of Directors and a member of the supervisory board of Pieris Operating, is also



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an employee of OrbiMed Advisors LLC and Dr. Christina Takke, a current member of our Board of Directors and a member of the supervisory board of Pieris Operating, is a proxy holder of Forbion I Management B.V., the director of Forbion. Last, in October 2013, Pieris Operating entered into a development and license agreement with Zydus for the preclinical development of PRS-110, pursuant to which Pieris Operating shares certain commercial rights to PRS-110 with Zydus. For more information about the Zydus agreement, see “Business—Strategic Partnerships”.

### **Review, Approval or Ratification of Transactions with Related Persons**

Due to the small size of our company, we do not at this time have a formal written policy regarding the review of related party transactions, and rely on our full Board of Directors to review, approve or ratify such transactions and identify and prevent conflicts of interest. Our Board of Directors reviews any such transaction in light of the particular affiliation and interest of any involved director, officer or other employee or stockholder and, if applicable, any such person’s affiliates or immediate family members. Management aims to present transactions to our Board of Directors for approval before they are entered into or, if that is not possible, for ratification after the transaction has occurred. If our Board of Directors finds that a conflict of interest exists, then it will determine the appropriate action or remedial action, if any. Our Board of Directors approves or ratifies a transaction if it determines that the transaction is consistent with our best interests and the best interest of our stockholders.

### **Director Independence**

In connection with the closing of the Acquisition, our Board of Directors undertook a review of the composition of our Board of Directors and independence of each director. Based upon information requested from and provided by each director concerning his background, employment and affiliations, including family relationships, our Board of Directors has determined that Chau Khuong, Dr. Christina Takke, Michael Richman and Steven Prelack would qualify as “independent” as that term is defined by NASDAQ Listing Rule 5605(a)(2). Stephen S. Yoder would not qualify as “independent” under applicable NASDAQ Listing Rules applicable to the Board of Directors generally or to separately designated board committees because he currently serves as our Chief Executive Officer. In making such determinations, our Board of Directors considered the relationships that each of our non-employee directors has with the Combined Company and all other facts and circumstances deemed relevant in determining independence, including the beneficial ownership of our capital stock by each non-employee director.

Subject to some exceptions, NASDAQ Listing Rule 5605(a)(2) provides that a director will only qualify as an “independent director” if, in the opinion of our Board of Directors, that person does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director, and that a director cannot be an “independent director” if (a) the director is, or in the past three years has been, an employee of ours; (b) a member of the director’s immediate family is, or in the past three years has been, an executive officer of ours; (c) the director or a member of the director’s immediate family has received more than \$120,000 per year in direct compensation from us within the preceding three years, other than for service as a director or benefits under a tax-qualified retirement plan or non-discretionary compensation (or, for a family member, as a non-executive employee); (d) the director or a member of the director’s immediate family is a current partner of our independent public accounting firm, or has worked for such firm in any capacity on our audit at any time during the past three years; (e) the director or a member of the director’s immediate family is, or in the past three years has been, employed as an executive officer of a company where one of our executive officers serves on the compensation committee; or (f) the director or a member of the director’s immediate family is an executive officer, partner or controlling stockholder of a company that makes payments to, or receives payments from, us in an amount which, in any twelve-month period during our past three fiscal years, exceeds the greater of 5% of the recipient’s consolidated gross revenues for that year or \$200,000 (except for payments arising solely from investments in our securities or payments under non-discretionary charitable contribution matching programs). Additionally, in order to be considered an independent member of an audit committee under Rule 10A-3 of the Exchange Act, a member of an audit committee may not, other than in his or her capacity as a member of the audit committee, the Board of Directors, or any other committee of the Board of Directors, accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the applicable company or any of its subsidiaries or otherwise be an affiliated person of the applicable company or any of its subsidiaries.

## MARKET PRICE OF AND DIVIDENDS ON THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### Market Information

Our common stock is currently eligible for quotation for trading on OTC Markets, OTCPink (Current Information) tier of OTC Markets Group, Inc. under the ticker symbol "PIRS." To date, no shares of our common stock have traded on OTC Markets. As of the date of this Current Report on Form 8-K and after giving effect to the Acquisition, there are: (i) 2,519,500 outstanding options to purchase shares of our common stock; (ii) no outstanding warrants to purchase shares of our common stock; and (iii) 2,500,000 outstanding shares of our common stock that have been registered under the Securities Act and are freely tradable.

### Holders

Immediately following the closing of the Acquisition, there were 28 holders of record of our common stock.

### Dividends

We have never declared nor paid any cash dividends to stockholders. We do not intend to pay cash dividends on our common stock for the foreseeable future, and currently intend to retain any future earnings to fund our operations and the development and growth of our business. The declaration of any future cash dividend, if any, would be at the discretion of our Board of Directors (subject to limitations imposed under applicable Nevada law) and would depend upon our earnings, if any, our capital requirements and financial position, our general economic conditions, and other pertinent conditions.

### Shares Eligible for Future Sale

Upon the completion of the Acquisition, we had 22,500,000 shares of common stock outstanding. Of the outstanding shares of our common stock, 2,500,000 shares are freely tradable, without restriction, as of the date of this Current Report on Form 8-K. None of the 20,000,000 shares issued in connection with the Acquisition can be publicly sold under Rule 144 promulgated under the Securities Act until one year after the date of filing this Current Report on Form 8-K.

#### *Rule 144*

Rule 144 promulgated under the Securities Act will generally permit the public sale of outstanding shares of our common stock that have been issued as restricted securities by the following persons and under the following circumstances commencing one year following the filing of our "Form 10 information" in this Current Report on Form 8-K:

- any person that is not, and has not been for a period of at least 90 days, an affiliate of ours will be entitled to sell its restricted shares of our common stock freely and without restriction, provided that (i) such person has held its restricted shares of our common stock for at least 6 months, (ii) we are subject to the reporting obligations of the Exchange Act for at least 90 days prior to any such sale, and (iii) we remain compliant and current with our reporting obligations under the Exchange Act.
- any of our affiliates, which includes our directors, executive officers and any other person in control of us, will be entitled to sell its restricted shares of our common stock provided that each of clause (i), (ii) and (iii) set forth above with respect to sales by non-affiliates is satisfied, and the following additional conditions are met: (a) any such sale is made in compliance with certain manner of sale provisions, (b) a Form 144 is filed with the SEC, and (c) any such sale complies with certain volume limitations, which generally limit the sale of shares within any three-month period to a number of shares that does not exceed the greater of 1% of the total number of outstanding shares of our common stock and the average weekly trading volume of our common stock during the four calendar weeks preceding the filing of the Form 144 with respect to such sale.

#### *Regulation S*

Regulation S under the Securities Act provides that shares owned by any person may be sold without registration in the U.S., provided that the sale is effected in an offshore transaction and no directed selling efforts are made in the U.S. (as these terms are defined in Regulation S), subject to certain other conditions. In general, this means that our shares of common stock may be sold in some other manner outside the U.S. without requiring registration in the U.S.

## **Securities Authorized for Issuance under Equity Compensation Plans**

### *Equity Compensation Plan Information*

Effective as of immediately prior to the closing of the Acquisition on December 17, 2014, Pieris' Board of Directors and the holders of at least a majority of its then-outstanding capital stock adopted the 2014 Employee, Director and Consultant Equity Incentive Plan, or the Pieris Plan. For a description of the terms of the Pieris Plan, please see "Executive Compensation – Description of Pieris Plan." As of the date hereof, options to purchase 2,519,500 shares of our common stock have been issued under the Pieris Plan to our executive officers, directors, employees and consultants. For additional information, see "Executive Compensation—Director Compensation" and "Executive Compensation—Description of the Pieris Plan." As a result of such grants, 680,500 shares of our common stock are available for future issuances under the Pieris Plan.

We intend to file a registration statement on Form S-8 under the Securities Act covering all of the shares of common stock subject to equity grants outstanding or reserved under the Pieris Plan. Accordingly, shares of our common stock issued under the Pieris Plan will be eligible for sale in the public market, subject to vesting restrictions. However, resales of certain shares held by our affiliates registered on the Form S-8 will be subject to volume limitations, manner of sale, notice and public information requirements of Rule 144.

With respect to both Pieris and Pieris Operating, as of December 31, 2013, there were no compensation plans, including individual compensation arrangements, under which equity securities were authorized for issuance.

### **Issuer Purchases of Equity Securities**

In connection with the Acquisition and pursuant to the Split-Off Agreement, we transferred our pre-Acquisition assets and liabilities to our former majority stockholder, Aleksandrs Sviks, in exchange for the surrender by him and cancellation of 11,363,635 shares of Pieris common stock.

## RECENT SALES OF UNREGISTERED SECURITIES

The following summarizes all sales of unregistered securities by us within the past three years:

As described more fully under “The Acquisition” above, on December 17, 2014, we consummated the Acquisition. The issuances of securities in the Acquisition were exempt from registration pursuant to Section 4(a)(2) of, and Regulation D promulgated under, the Securities Act of 1933, as amended, or Rule 903 of Regulation S promulgated thereunder.

On June 26, 2013, Pieris issued 5,000,000 shares of its common stock, prior to adjustment for the forward stock split effected on December 5, 2014, to Aleksandrs Sviks, its former sole director and officer, for \$5,000. There were no underwriters, and there were no underwriting discounts or commissions, in respect of the sale or the transactions thereunder. The shares issued to Aleksandrs Sviks were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act (or Regulation D promulgated thereunder) as a transaction by an issuer not involving any public offering.

As more fully described in “Management’s Discussion and Analysis of Financial Condition and results of Operations—2014 Series C Financing”, in October through December 2014, Pieris Operating concluded a Series C financing round, or the 2014 Series C Financing, in which Pieris Operating issued Series C preferred shares for €5,970,149.15 (\$8,226,269) in cash and the conversion of €3,000,000 (\$4,133,700) outstanding under an existing convertible loan agreement dated November 12, 2012, or the 2012 Bridge Loan, as amended, and a second convertible loan agreement dated April 14, 2014, or the 2014 Bridge Loan. The convertible loan agreements terminated upon the effectiveness of the 2014 Series C Financing. As part of the 2014 Series C Financing, parties to existing investment agreements and shareholders agreement relating to prior rounds of financing agreed to become parties to the investment agreement and the consolidated shareholders’ agreement for the 2014 Series C Financing and the prior agreements were terminated. The shares issued in connection with the 2014 Series C Financing were deemed to be exempt from registration under the Securities Act in reliance upon Section 4(a)(2) of the Securities Act (or Regulation D promulgated thereunder) as a transaction by an issuer not involving any public offering.

Reference is made to the disclosure set forth under Item 3.02 of this Current Report on Form 8-K regarding the issuance of shares of Pieris’ common stock to former stockholders of Pieris Operating upon the closing of the Acquisition, which disclosure is incorporated herein by reference.

## DESCRIPTION OF SECURITIES

*The following describes the material terms of the capital stock of Pieris. The following description does not purport to be complete and is subject to, and qualified in its entirety by reference to, Pieris’ Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, which are attached as Exhibits 3.1 and 3.2, respectively, to this Current Report on Form 8-K and incorporated herein by reference. All Pieris stockholders are urged to read our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws carefully and in their entirety.*

We currently have authorized capital stock of 310,000,000 shares, of which 300,000,000 are designated as common stock, par value \$0.001 per share, and 10,000,000 shares are designated as preferred stock, par value \$0.001 per share. The following is a summary of the rights of our common and preferred stock and some of the provisions of our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, and the Nevada Revised Statutes, or the NRS. Because it is only a summary, it does not contain all the information that may be important to you. For a complete description you should refer to our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, copies of which have been filed as exhibits to this Current Report on Form 8-K, as well as the relevant provisions of the NRS.

### Common Stock

As of December 17, 2014 after giving effect to the Acquisition, there were 22,500,000 shares of common stock outstanding. In addition, as of December 17, 2014 there were 680,500 shares of common stock reserved for future issuance under the Pieris Plan. The holders of our common stock are entitled to one vote per share on matters on which our stockholders vote. There are no cumulative voting rights. Subject to any preferential dividend rights of any outstanding shares of preferred stock, holders of our common stock are entitled to receive dividends, if declared by our Board of Directors, out of funds that we may legally use to pay dividends. If we liquidate or dissolve, holders of our common stock are entitled to share ratably in our assets once our debts and any liquidation preference owed to any then-outstanding preferred stockholders are paid. Our Amended and Restated Articles of Incorporation do not provide our common stock with any redemption, conversion or preemptive rights. All of the issued and outstanding shares of our common stock are duly authorized, validly issued, fully paid and non-assessable.

## **Preferred Stock**

If we issue preferred stock in the future, such preferred stock may have priority over common stock with respect to dividends and other distributions, including the distribution of assets upon liquidation. Our Board of Directors has the authority, without further stockholder authorization, to issue from time to time up to 10,000,000 shares of preferred stock in one or more series and to fix the terms, limitations, voting rights, relative rights and preferences and variations of each series. Although we have no present plans to issue any shares of preferred stock, the issuance of shares of preferred stock, or the issuance of rights to purchase such shares, could decrease the amount of earnings and assets available for distribution to the holders of common stock, could adversely affect the rights and powers, including voting rights, of the common stock, and could have the effect of delaying, deterring or preventing a change of control of us or an unsolicited acquisition proposal. As of December 17, 2014, no shares of preferred stock were outstanding.

## **Dividends**

Under NRS 78.288, the directors of a Nevada corporation may authorize, and the corporation may make, distributions (including cash dividends) to stockholders, but no such distribution may be made if, after giving it effect:

- the corporation would not be able to pay its debts as they become due in the usual course of business; or
- the corporation's total assets would be less than the sum of (x) its total liabilities plus (y) the amount that would be needed, if the corporation were to be dissolved at the time of distribution, to satisfy the preferential rights upon dissolution of stockholders whose preferential rights are superior to those receiving the distribution.

The NRS prescribes the timing of the determinations above depending on the nature and timing of payment of the distribution. For cash dividends paid within 120 days after the date of authorization, the determinations above must be made as of the date the dividend is authorized. When making their determination that a distribution is not prohibited by NRS 78.288, directors may consider:

- financial statements prepared on the basis of accounting practices that are reasonable in the circumstances;
- a fair valuation, including, but not limited to, unrealized appreciation and depreciation; and/or
- any other method that is reasonable in the circumstances.

Declaration and payment of any dividend will be subject to the discretion of our Board of Directors. The payment of any future dividends will be at the discretion of our Board of Directors; however, the time and amount of such dividends, if any, will be dependent upon our financial condition, operations, compliance with applicable law, cash requirements and availability, debt repayment obligations, capital expenditure needs and restrictions in our debt instruments, contractual restrictions, business prospects, industry trends, the provisions of Nevada law affecting the payment of distributions and any other factors our Board of Directors may consider relevant. Our ability to pay dividends on our common stock may depend in part on our receipt of cash dividends from our operating subsidiaries, which may be restricted from paying us dividends as a result of the laws of their jurisdiction of organization, agreements of our subsidiaries or covenants under any existing and future outstanding indebtedness we or our subsidiaries incur.

## **Anti-Takeover Effects of Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws and Certain Provisions of Nevada Law**

Our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws and the NRS contain provisions that may have the effect of maintaining continuity and stability in the composition of our Board of Directors. These provisions may help us avoid costly takeover battles, reduce our vulnerability to a hostile change of control and enhance the ability of our Board of Directors to effectively evaluate and negotiate in connection with any unsolicited offer to acquire us. However, these provisions may have an anti-takeover effect and may delay, deter or prevent a merger or acquisition of our company by means of a tender offer, a proxy contest or other takeover attempt that a stockholder might consider to be in its best interest, including attempts that might result in a premium over the prevailing market price for the shares of common stock held by stockholders.

## **Business Combinations and Acquisition of Control Shares**

Pursuant to provisions in our Amended and Restated Articles of Incorporation, we have elected not to be governed by certain Nevada statutes that may have the effect of discouraging corporate takeovers.

Nevada's "combinations with interested stockholders" statutes (NRS 78.411 through 78.444, inclusive) prohibit specified types of business "combinations" between certain Nevada corporations and any person deemed to be an "interested stockholder" for two years after such person first becomes an "interested stockholder" unless the corporation's board of directors approves the combination (or the transaction by which such person becomes an "interested stockholder") in advance, or unless the combination is approved by the board of directors and sixty percent of the corporation's voting power not beneficially owned by the interested stockholder, its affiliates and associates. Furthermore, in the absence of prior approval certain restrictions may apply even after such two-year period. For purposes of these statutes, an "interested stockholder" is any person who is (1) the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the outstanding voting shares of the corporation, or (2) an affiliate or associate of the corporation and at any time within the two previous years was the beneficial owner, directly or indirectly, of ten percent or more of the voting power of the then-outstanding shares of the corporation. The definition of the term "combination" is sufficiently broad to cover most significant transactions between a corporation and an "interested stockholder." These laws generally apply to Nevada corporations with 200 or more stockholders of record, but a Nevada corporation may elect in its articles of incorporation not to be governed by these particular laws. We have not made such an election in our Amended and Restated Articles of Incorporation.

Nevada's "acquisition of controlling interest" statutes (NRS 78.378 through 78.3793, inclusive) contain provisions governing the acquisition of a controlling interest in certain Nevada corporations. These "control share" laws provide generally that any person that acquires a "controlling interest" in certain Nevada corporations may be denied voting rights, unless a majority of the disinterested stockholders of the corporation elects to restore such voting rights. In our Amended and Restated Articles of Incorporation, we have elected to provide that these statutory provisions shall not apply to us or to any acquisition of our common stock. If at such later time when we no longer choose to so elect, and absent such provision in our articles of incorporation or a similar provision included in an amendment to our Amended and Restated Bylaws, these laws would then apply to us if we were to have 200 or more stockholders of record (at least 100 of whom have addresses in Nevada appearing on our stock ledger) and do business in the State of Nevada directly or through an affiliated corporation, unless our articles of incorporation or bylaws in effect on the tenth day after the acquisition of a controlling interest provide otherwise. These laws provide that a person acquires a "controlling interest" whenever a person acquires shares of a subject corporation that, but for the application of these provisions of the NRS, would enable that person to exercise (i) one-fifth or more, but less than one-third, (ii) one-third or more, but less than a majority or (iii) a majority or more, of all of the voting power of the corporation in the election of directors. Once an acquirer crosses one of these thresholds, shares which it acquired in the transaction taking it over the threshold and within the 90 days immediately preceding the date when the acquiring person acquired or offered to acquire a controlling interest become "control shares" to which the voting restrictions described above apply.

In addition, NRS 78.139 also provides that directors may resist a change or potential change in control if the directors, by majority vote of a quorum, determine that the change is opposed to, or not in, the best interest of the corporation.

## **Classified Board of Directors; Removal of Directors for Cause**

Pursuant to our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws, our Board of Directors is divided into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders following the initial classification of directors and until their successors are duly elected and qualified, the term of office of the second class to expire at the second annual meeting of stockholders following the initial classification of directors and until their successors are duly elected and qualified, and the term of office of the third class to expire at the third annual meeting of stockholders following the initial classification of directors and until their successors are duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire, other than directors elected by the holders of any series of preferred stock under specified circumstances, will be elected for a three-year term of office. All directors elected to our classified Board of Directors will serve until the election and qualification of their respective successors or their earlier resignation or removal. Members of the Board of Directors may only be removed for cause and only by the affirmative vote of at least 80% of our outstanding voting stock. These provisions are likely to increase the time required for stockholders to change the composition of the Board of Directors. For example, at least two annual meetings will be necessary for stockholders to effect a change in a majority of the members of the Board of Directors.

## **Advance Notice Provisions for Stockholder Proposals and Stockholder Nominations of Directors**

Our Amended and Restated Bylaws provide that, for nominations to the Board of Directors or for other business to be properly brought by a stockholder before a meeting of stockholders, the stockholder must first have given timely notice of the proposal in writing to our Secretary. For an annual meeting, a stockholder's notice generally must be delivered not less than 90 days nor more than 120 days prior to the first anniversary of the previous year's annual meeting date. For a special meeting, the notice must generally be delivered not earlier than the 90<sup>th</sup> day prior to the meeting and not later than the later of (i) the 60<sup>th</sup> day prior to the meeting or



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(ii) the 10<sup>th</sup> day following the day on which public announcement of the meeting is first made. Detailed requirements as to the form of the notice and information required in the notice are specified in the Amended and Restated Bylaws. If it is determined that business was not properly brought before a meeting in accordance with our bylaw provisions, such business will not be conducted at the meeting.

### **Special Meetings of Stockholders**

Special meetings of the stockholders may be called only by our Board of Directors pursuant to a resolution adopted by a majority of the total number of directors.

### **No Stockholder Action by Written Consent**

Any action to be effected by our stockholders must be effected at a duly called annual or special meeting of the stockholders.

### **Super Majority Stockholder Vote Required for Certain Actions**

Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws provide that the Board of Directors is expressly authorized to make, alter, amend, change, add to, rescind or repeal, in whole or in part, our bylaws without a stockholder vote in any manner not inconsistent with Nevada law and our Amended and Restated Articles of Incorporation. Our Amended and Restated Articles of Incorporation require the affirmative vote of the holders of at least 80% of our outstanding voting stock to amend or repeal any of the provisions discussed in this section under the heading "Anti-Takeover Effects of Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws and Certain Provisions of Nevada Law," as well as certain other provisions of our Amended and Restated Articles of Incorporation. This 80% stockholder vote would be in addition to any separate class vote that might in the future be required pursuant to the terms of any preferred stock that might then be outstanding. An 80% vote is also required for any amendment to, or repeal of, our Amended and Restated Bylaws by the stockholders and for the removal of any member of or our entire Board of Directors. Our Amended and Restated Bylaws may be amended or repealed by a majority vote of the Board of Directors.

### **Deemed Notice and Consent**

Our Amended and Restated Articles of Incorporation provide that any person purchasing or otherwise acquiring any interest in shares of our capital stock shall be deemed, to the fullest extent permitted by law, to have notice of and consented to all of the provisions of our Amended and Restated Articles of Incorporation, our Amended and Restated Bylaws and any amendment to our articles of incorporation or bylaws enacted in accordance therewith and applicable law.

### **Transfer Agent and Registrar**

Our transfer agent and registrar is Globex Transfer, LLC, 780 Deltona Blvd., Suite 202, Deltona, Florida. Their telephone number is (813) 344-4490.

## **INDEMNIFICATION OF DIRECTORS AND OFFICERS**

### **Indemnification of Directors and Officers**

Our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws provide that each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he or she is or was one of our directors or officers or is or was serving at our request as a director, officer, employee or agent of another corporation, partnership, joint venture, trust or other enterprise, whether the basis of such action, suit or proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by us to the fullest extent authorized by the NRS against all expense, liability and loss (including attorneys' fees and amounts paid in settlement) reasonably incurred or suffered by such.

NRS 78.7502 permits a corporation to indemnify any director or officer of the corporation against expenses (including attorneys' fees) and amounts paid in settlement actually and reasonably incurred in connection with any action, suit or proceeding brought by reason of the fact that such person is or was a director or officer of the corporation, if such person (i) is not liable pursuant to NRS 78.138 and (ii) acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe the conduct was unlawful. In a derivative action (i.e., one brought by or on behalf of the corporation), indemnification may be provided only for expenses actually and reasonably incurred by any director or officer in connection with the defense or settlement of such an action or the suit if such person (i) is not liable pursuant to NRS 78.138 and (ii) acted in good faith and in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation, except that no indemnification shall be provided if such person shall have

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been adjudged to be liable to the corporation, unless and only to the extent that the court in which the action or suit was brought or some other court of competent jurisdiction determines that such person is fairly and reasonably entitled to indemnity for such expenses as the court deems proper.

Our Amended and Restated Articles of Incorporation provide that the liability of our directors and officers shall be eliminated or limited to the fullest extent permitted by the NRS. NRS 78.138(7) provides that, subject to limited statutory exceptions and unless the articles of incorporation or an amendment thereto (in each case filed on or after October 1, 2003) provide for greater individual liability, a director or officer is not individually liable to a corporation or its stockholders or creditors for any damages as a result of any act or failure to act in his or her capacity as a director or officer unless it is proven that: (i) the act or failure to act constituted a breach of his or her fiduciary duties as a director or officer and (ii) the breach of those duties involved intentional misconduct, fraud or a knowing violation of law.

We have entered into indemnification agreements with our directors and certain officers, in addition to the indemnification provided in the NRS, our Amended and Restated Articles of Incorporation and our Amended and Restated Bylaws, and intend to enter into indemnification agreements with any new directors and officers in the future. We have purchased and intend to maintain insurance on behalf of any person who is or was a director or officer against any loss arising from any claim asserted against him or her and incurred by him or her in any such capacity, subject to certain exclusions.

The foregoing discussion of our Amended and Restated Articles of Incorporation, Amended and Restated Bylaws, indemnification agreements, indemnity agreement, and Nevada law is not intended to be exhaustive and is qualified in its entirety by such Amended and Restated Articles of Incorporation, Amended and Restated Bylaws, indemnification agreements, indemnity agreement, or law.

### **FINANCIAL STATEMENTS**

Reference is made to the financial statements and pro forma financial information relating to Pieris Operating contained in Item 9.01 of this Current Report on Form 8-K, which is incorporated herein by reference.

### **CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

Reference is made to the disclosure set forth in Item 4.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

#### **Item 3.02 Unregistered Sales of Equity Securities.**

Reference is made to the disclosure set forth under Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

Upon the closing of the Acquisition, we issued 20,000,000 shares of our common stock to 21 former stockholders of Pieris Operating in exchange for all of the outstanding shares of Pieris Operating's capital stock and a waiver by certain stockholders of all subscription and conversion rights with respect to certain stockholder agreements with former stockholders of Pieris Operating. The issuance and sale of such securities was not registered under the Securities Act, and such securities were issued in reliance upon exemptions from registration afforded by Section 4(a)(2) of the Securities Act and Rule 506 of Regulation D promulgated thereunder and Rule 903 of Regulation S promulgated thereunder. In determining that the issuance of certain of such securities qualified for exemption under Section 4(a)(2) of the Securities Act, we relied on the following facts: the securities were issued to recipients that each represented that it was an "accredited investor" as defined in Rule 501 promulgated under the Securities Act, it was acquiring the securities for investment purposes and without a view toward disposition thereof, and it had sufficient investment experience to evaluate the risks of the investment; we used no advertising or general solicitation in connection with the issuance and sale of the securities; and the securities were issued as restricted securities. In determining that the issuance of certain of such securities qualified for exemption in reliance on Regulation S, we relied on the following facts: each recipient represented that it is not a "U.S. Person" within the meaning of Regulation S under the Securities Act and that he, she or it would not sell the shares in the U.S. for a period of at least one year after purchase.

**Item 3.03 Material Modification of Rights of Security Holders.**

Reference is made to the disclosure set forth under Item 5.03 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

**Item 4.01 Changes in Registrant's Certifying Accountant.**

(a) Effective on December 17, 2014 and with the approval of our Board of Directors, we dismissed Harris & Gillespie CPA'S PLLC, or Harris & Gillespie, as our independent registered public accounting firm engaged to audit our financial statements.

The reports issued by Harris & Gillespie on our financial statements as of and for the years ended June 30, 2014 and June 30, 2013 contained an explanatory paragraph stating that there was substantial doubt about our ability to continue as a going concern. Other than as disclosed above, such reports did not contain an adverse opinion or disclaimer of opinion and were not qualified as to uncertainty, audit scope or accounting principles.

Our decision to dismiss Harris & Gillespie is not the result of any disagreement between us and Harris & Gillespie on matters of accounting principles or practices, financial statement disclosure or auditing scope or procedures. During our two most recent fiscal years, there were no disagreements with Harris & Gillespie on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedures, which disagreements, if not resolved to the satisfaction of Harris & Gillespie, would have caused Harris & Gillespie to make a reference to the subject matter of the disagreement in connection with its reports. Pursuant to the rules of the SEC applicable to smaller reporting companies, Harris & Gillespie was not required to provide an attestation as to the effectiveness of our internal control over financial reporting for any period since our inception.

Other than as disclosed above, there were no reportable events (as that term is defined in Item 304(a)(1)(v) of Regulation S-K) during our two most recent fiscal years. Our Board of Directors discussed the subject matter referred to above with Harris & Gillespie. We authorized Harris & Gillespie to respond fully and without limitation to all requests of our successor accountant concerning all matters related to the annual and interim periods audited and reviewed by Harris & Gillespie, including with respect to the subject matter of any reportable event.

We provided Harris & Gillespie with a copy of the above disclosures we are making in response to Item 4.01 of this Current Report on Form 8-K and requested that Harris & Gillespie furnish a letter addressed to the SEC stating whether or not it agrees with the above statements, and, if not, stating the respects in which it does not agree. A copy of the letter dated December 17, 2014, is filed as Exhibit 16.1 to this Current Report on Form 8-K.

(b) Ernst & Young GmbH Wirtschaftsprüfungsgesellschaft, or E&Y, was engaged by Pieris Operating before it became our wholly owned subsidiary to audit its financial statements for the years ended December 31, 2013 and 2012 and the related statements of operations, changes in stockholders' deficit and cash flows for each of the years then ended, which are filed as Exhibits 99.1 and 99.2 to this Current Report on Form 8-K. We are in the process of negotiating with E&Y to engage them as our new independent registered public accounting firm.

During our two most recent fiscal years and through the date of our engagement of E&Y, neither we nor anyone on our behalf consulted with E&Y regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered with respect to our financial statements, and no written report or oral advice was provided to us by E&Y that was an important factor considered by us in reaching a decision as to any accounting, auditing or financial reporting issue; or (ii) any matter that was the subject of a disagreement (as that term is defined in Item 304(a)(1)(iv) of Regulation S-K promulgated under the Securities Act and the related instructions) or a reportable event (as that term is defined in Item 304(a)(1)(v) of Regulation S-K) relating to our company.

**Item 5.01 Changes in Control of the Registrant.**

Reference is made to the disclosure set forth under Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

**Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.**

(b)-(c): Effective upon the closing of the Acquisition on December 17, 2014, (i) our sole executive officer prior to the Acquisition, Aleksandrs Sviks, tendered his resignation from all positions then held with Pieris and (ii) the members of our Board of Directors that

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were elected in connection with the closing of the Acquisition, as described in part (d) of this Item 5.02 below, appointed as the executive officers of Pieris the individuals to the executive officer positions set forth under the heading “Management—Directors, Executive Officers and Other Non-Executive Officers” in Item 2.01 of this Current Report on Form 8-K.

For information regarding the terms of employment of our newly appointed executive officers, see “Executive Compensation” in Item 2.01 of this Current Report on Form 8-K, which description is incorporated herein by reference. For certain biographical, related party and other information regarding our newly appointed executive officers, see the disclosure under the heading “Management” and “Certain Relationships and Related Transactions, and Director Independence—Related Party Transactions” in Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

(d) Effective upon the closing of the Acquisition, our sole director prior to the Acquisition, Aleksandrs Sviks, (i) resigned as a director, and (ii) appointed as our new directors the five individuals identified as directors under the heading “Management—Directors, Executive Officers and Other Non-Executive Officers” in Item 2.01 of this Current Report on Form 8-K. Following the closing of the Acquisition, our newly elected directors appointed Chau Khuong as the Chairman of the Board.

For information about compensation to our directors, see “Executive Compensation—Director Compensation” in Item 2.01 of this Current Report on Form 8-K, which description is incorporated herein by reference.

No standing committees of our Board of Directors have been established and, as a result, none of our current directors is a member of any such committee. Further, there are no arrangements or understandings pursuant to which any of our current directors was appointed as a director.

For certain biographical, related party and other information regarding our newly appointed directors, see the disclosure under the heading “Management” and “Certain Relationships and Related Transactions, and Director Independence—Related Party Transactions” in Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

(e) Reference is made to the description of the Pieris Plan set forth under the heading “Executive Compensation—Description of Pieris Plan” in Item 2.01 of this Current Report on Form 8-K, which description is incorporated herein by reference. The description of the Pieris Plan contained in this report does not purport to be complete, and is qualified in its entirety by reference to the full text of the Pieris Plan, which is attached hereto as Exhibit 10.1 and is incorporated herein by reference.

### **Item 5.03 Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.**

#### *Amendments to Articles of Incorporation*

Prior to the closing of the Acquisition, we amended our amended and restated Articles of Incorporation to (i) change our name from “Marika Inc.” to “Pieris Pharmaceuticals, Inc.”, (ii) to increase our authorized capital stock from 75,000,000 shares of common stock, par value \$0.001 per share, to 300,000,000 shares of common stock, par value \$0.001 per share and 10,000,000 shares of “blank check” preferred stock, par value \$0.001 per share and (iii) to amend our Articles of Incorporation for the purpose of, among other things, (a) requiring that any action taken by our stockholders be at a duly called annual or special meeting of stockholders and not by written consent; (b) requiring a supermajority vote of our stockholders for our stockholders to remove any of our directors, amend, alter or repeal or adopt any provisions inconsistent with, certain provisions contained in our Amended and Restated Articles of Incorporation, or to adopt, amend or repeal our Amended and Restated Bylaws; (c) permitting our Board of Directors to declare distributions (including dividends) on our common stock; and (d) providing for the indemnification of our directors and officers to the greatest extent permitted under Nevada law. Our Board of Directors approved the amendment on December 10, 2014, and as described under Item 5.07 of this Current Report on Form 8-K, stockholders holding 81.97% of the then outstanding shares of our common stock approved the amendment and restatement to our Articles of Incorporation on December 10, 2014. Our Amended and Restated Articles of Incorporation is filed as Exhibit 3.1 to this Current Report on Form 8-K and became effective on December 16, 2014 and our name change became effective on December 16, 2014.

In accordance with rules and regulations promulgated by FINRA, the amendment to our Articles of Incorporation to change our name became effective upon receipt of FINRA’s approval of those changes on the morning of December 15, 2014. In connection with the change of our name to “Pieris Pharmaceuticals, Inc.,” FINRA has assigned us the new stock symbol “PIRSX.”

#### *Amendments to Bylaws*

Prior to the closing of the Acquisition, we amended and restated our bylaws in their entirety. Please see the description of the Amended and Restated Bylaws in Item 2.01 Completion of Acquisition or Disposition of Assets of this Current Report on Form 8-K in the section titled “Anti-Takeover Effects of Nevada Law and Our Amended and Restated Articles of Incorporation and Amended and Restated Bylaws.” Our Amended and Restated Bylaws are filed as Exhibit 3.2 to this Current Report on Form 8-K and became effective on December 17, 2014.

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### *Change in Fiscal Year*

On December 17, 2014 in connection with the Acquisition, our Board of Directors changed our fiscal year from a fiscal year ending on June 30, which was used in our most recent filing with the SEC, to one ending on December 31 of each year, which is the fiscal year of Pieris Operating.

### **Item 5.06 Change in Shell Company Status.**

Upon the closing of the Acquisition on December 17, 2014, we ceased to be a “shell company” as defined in Rule 12b-2 of the Exchange Act. Reference is made to the disclosure under Item 2.01 of this Current Report on Form 8-K, which disclosure is incorporated herein by reference.

### **Item 5.07 Submission of Matters to a Vote of Security Holders.**

On December 10, 2014, stockholders holding 81.97% of the then outstanding shares of our common stock executed a written consent in lieu of meeting to approve our Amended and Restated Articles of Incorporation to change the name of Pieris from “Marika Inc.” to “Pieris Pharmaceuticals, Inc.” and to effect the other changes as described in Item 5.03 hereof, which disclosure is incorporated herein by reference. On December 15, 2014, stockholders holding 81.97% of the then outstanding shares of our common stock executed a written consent in lieu of a meeting to approve the 2014 Employee, Director and Consultant Equity Incentive Plan.

### **Item 9.01 Financial Statements and Exhibits.**

(a) Financial Statements of Businesses Acquired. In accordance with Item 9.01(a), the following are filed as exhibits to this Current Report on Form 8-K:

- Audited financial statements of Pieris Operating as of and for the years ended December 31, 2013 and 2012 are filed as Exhibit 99.1
- Unaudited financial statements of Pieris Operating as of and for the nine months ended September 30, 2014 and 2013 are filed as Exhibit 99.2

(b) Pro Forma Financial Information. In accordance with Item 9.01(b), the unaudited pro forma financial information of Pieris and its wholly owned subsidiary Pieris Operating as of and for the fiscal year ended December 31, 2013 and as of and for the nine months ended September 30, 2014 are filed as Exhibit 99.3 to this Current Report on Form 8-K.

(c) Shell Company Transactions. Reference is made to Items 9.01(a) and 9.01(b) and the exhibits referred to therein, which are incorporated herein by reference.

(d) Exhibits. Reference is made to the Exhibit Index following the signature page of this Current Report on Form 8-K, which is incorporated herein by reference.

**SIGNATURE**

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

Dated: December 17, 2014

**PIERIS PHARMACEUTICALS, INC.**

By: /s/ Stephen Yoder

Name: Stephen Yoder

Title: Chief Executive Officer and President



**EXHIBIT INDEX**

<b>Exhibit Number</b>	<b>Description</b>
2.1	Acquisition Agreement, dated as of December 17, 2014, by and among the Registrant, Pieris AG and the former stockholders of Pieris AG named therein
3.1	Amended and Restated Articles of Incorporation of the Registrant
3.2	Amended and Restated Bylaws of the Registrant
4.1	Form of Common Stock certificate
10.1@	2014 Employee, Director and Consultant Equity Incentive Plan
10.2@	Form of Stock Option Award Agreement under the Registrant's 2014 Employee, Director and Consultant Equity Incentive Plan
10.3±	Collaboration Agreement by and between Pieris AG and Allergan Sales, LLC, dated as of August 21, 2009
10.4±	Collaboration and License Agreement by and among Pieris AG, Sanofi-Aventis and Sanofi Pasteur SA, dated as of September 24, 2010
10.5±	First Letter Agreement to Collaboration and License Agreement by and among Pieris AG, Sanofi-Aventis and Sanofi-Pasteur SA, dated as of February 20, 2013
10.6±	Collaboration Research and Technology Licensing Agreement by and between Pieris AG and Daiichi Sankyo Company Limited, dated as of May 31, 2011
10.7±	Development and License Agreement by and between Pieris AG and Cadila Healthcare Limited, dated as of October 7, 2013
10.8±	Joint Development and License Agreement by and between Pieris AG and Stelis BioPharma Private Limited, dated as of November 21, 2013
10.9±	Research and Licensing Agreement by and between Pieris AG and Technische Universität München, dated as of July 26, 2007
10.10	Form of Indemnification Agreement by and between the Registrant and each of its current directors and executive officers
10.11@	Management Agreement by and between Pieris AG and Stephen S. Yoder, dated as of August 30, 2009
10.12@	Amendment to Management Agreement by and between Pieris AG and Stephen S. Yoder, dated as of March 12, 2012
10.13@	Amended and Restated Management Agreement by and between Pieris AG and Stephen S. Yoder, dated as of December 17, 2014
10.14@	Acknowledgement and Waiver Agreement by and between Pieris AG and Stephen S. Yoder, dated as of December 12, 2014
10.15@	Employment Agreement by and between the Registrant and Stephen S. Yoder, dated as of December 17, 2014
10.16@	Management Agreement by and between Pieris AG and Claus Schalper, dated as of February 6, 2008
10.17@	Consulting Agreement by and between Pieris AG and Claus Schalper, dated as of July 9, 2013
10.18@	Employment Agreement by and between Pieris AG and Dr. Ulrich Moebius, dated as of June 26, 2013
10.19@	Amendment to Employment Agreement by and between Pieris AG and Dr. Ulrich Moebius, dated as of January 28, 2014
10.20@	Amendment to Employment Agreement by and between Pieris AG and Dr. Ulrich Moebius, dated as of October 21, 2014

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<b>Exhibit Number</b>	<b>Description</b>
10.21@	Management Agreement by and between Pieris AG and Dr. Laurent Audoly, dated as of May 18, 2010
10.22@	Consulting Agreement by and between Pieris AG and Danforth Advisors, LLC, effective as of November 19, 2014
10.23	Lease Agreement by and between Pieris AG and Födergesellschaft IZB mbH, dated as of May 4, 2011
10.24	Convertible Bridge Loan Agreement by and among Pieris AG and the Stockholder parties listed therein, dated as of November 12, 2012
10.25	Amendment to Convertible Bridge Loan Agreement by and among Pieris AG and the Stockholders listed therein, dated as of March 4, 2014
10.26	Participation Agreement (silent partnership agreement) between Pieris AG and tbg Technologie-Beteiligungs-Gesellschaft mbH, dated May 13, 2003
10.27	Repayment Agreement by and between Pieris AG and tbg Technologie-Beteiligungs-Gesellschaft mbH, dated as of April 3, 2014
10.28	Settlement Agreement (Accelerated Repayment Agreement) by and between Pieris AG and tbg Technologie-Beteiligungs-Gesellschaft mbH, dated as of December 11, 2014
10.29	Convertible Bridge Loan Agreement by and among Pieris AG and the Stockholders listed on Exhibit A thereto, dated as of April 14, 2014
10.30	Consolidated Shareholders' Agreement 2014, Pieris AG, Freising, Germany, by and among Pieris AG and the Stockholders party thereto, dated October 10, 2014
10.31	Investment Agreement, Pieris AG, Freising, Germany, by and among Pieris AG, Stephen Yoder and the Existing Shareholders party thereto, dated October 10, 2014
10.32	Agreement, by and among Pieris AG and the Stockholders party thereto, dated December 5, 2014
10.33	Split-Off Agreement, by and among the Registrant, Marika Enterprises Inc. and Aleksandrs Sviks, dated December 17, 2014
10.34	General Release Agreement, by and among the Registrant, Marika Enterprises Inc. and Aleksandrs Sviks, dated December 17, 2014
16.1	Letter regarding change in certified public accountant
21.1	List of Subsidiaries
99.1	Audited financial statements of the Registrant as of and for the years ended December 31, 2013 and 2012
99.2	Unaudited financial statements of the Registrant as of and for the nine months ended September 30, 2014 and 2013
99.3	Pro forma financial information of the Registrant and its wholly owned subsidiary Pieris AG
@	Management contract or compensatory plan or arrangement
±	Confidential treatment requested

## ACQUISITION AGREEMENT

THIS ACQUISITION AGREEMENT (“**Agreement**”) is made and entered into as of December 17, 2014 (the “**Execution Date**”), by and among: **PIERIS PHARMACEUTICALS, INC.** (f/k/a Marika Inc.), a Nevada corporation with its registered office located in Henderson, Nevada (“**Parent**”); **PIERIS AG**, a stock corporation formed under the laws of Germany with its registered office in Freising, Germany, and registered with the commercial register (*Handelsregister*) of the local court of Munich (the “**Commercial Register**”) under HR B 133223 (the “**Company**”); and the shareholders of the Company listed on **Exhibit B**, attached hereto (the “**Holder**s”). Certain capitalized terms used in this Agreement are defined in **Exhibit A**.

## RECITALS

**A.** Parent is currently a “shell” company (as defined in Rule 12b-2 of the Exchange Act).

**B.** The Company is a privately-held company seeking to access capital markets by becoming a publicly-quoted company.

**C.** The Holders own (i) common shares (*Stammaktien*) issued by the Company registered with the Commercial Register and/or (ii) preferred shares (*Vorzugsaktien*) issued by the Company and registered with the Commercial Register in the form of Series (A) Preferred Shares (*Vorzugsaktien Serie (A)*), Series (A-1) Preferred Shares (*Vorzugsaktien Serie (A-1)*), Series (B) Preferred Shares (*Vorzugsaktien Serie (B)*), and/or Series (C) Preferred Shares (*Vorzugsaktien Serie (C)*) in accordance with the Articles of Association (*Satzung*) of the Company (the “**Articles**”) (collectively all together, the “**Existing Shares**”).

**D.** On October 10, 2014 the Company entered into (i) a consolidated shareholders’ agreement with the Holders, which set forth the principles of the legal relationship between all shareholders of the Company (the “**CSA 2014**”), and (ii) an investment agreement with the Holders, which set forth the terms of a financing through the issuance of new Series (C) Preferred Shares (*Vorzugsaktien Serie (C)*) (the “**IA 2014**”). The CSA 2014 and IA 2014 replaced in full any and all prior shareholders’ agreements and/or investment agreements among all or individual shareholders relating to their participation in the Company, including the consolidated shareholders’ agreement and investment agreement both dated November 12, 2012.

**E.** Through this Agreement, Parent, the Company, and the Holders intend to effect a transaction whereby the Holders contribute, transfer, assign and deliver all of the Existing Shares owned by them, and all of their rights with respect to such Existing Shares to Parent in exchange for shares of Parent Common Stock, with the result of the Company becoming a wholly-owned subsidiary of Parent (the “**Transaction**”).

**F.** Under Section 7 of the Company’s Articles, legal ownership of the Company’s shares may only be validly transferred upon approval of the Company as declared by its management board (*Vorstand*) upon a resolution by its supervisory board (*Aufsichtsrat*).

**G.** Prior to the execution and delivery of this Agreement, Parent has (i) obtained and delivered to the Company the written consent of Parent's stockholders necessary to approve the filing of the Amended and Restated Articles of Incorporation attached hereto as **Exhibit C** (the "**Parent Restated Charter**") and the Parent Equity Plan (as defined in Section 6.9), (ii) filed the Parent Restated Charter with the Secretary of State of the State of Nevada, (iii) obtained and delivered to the Company letters of resignation from each of Parent's officers and directors, effective immediately prior to the Effective Time (as defined in Section 1.2), and (iv) caused the individuals set forth on **Exhibit D** to have been appointed as the officers and/or directors of Parent effective as of the Effective Time.

**H.** Contemporaneously with the Closing (as defined in Section 1.2), the Parent shall split-off its existing business and its wholly owned subsidiary, Marika Enterprises Inc., a Nevada corporation (the "**Split-Off Subsidiary**"), through the assignment of all of the Parent's assets and liabilities (other than those under this Agreement and the other related agreements and transactions contemplated hereby) to, and the sale of all of the outstanding capital stock of, the Split-Off Subsidiary (the "**Split-Off**") upon the terms and conditions of a split-off agreement by and among the Parent, the Split-Off Subsidiary and Aleksandrs Sviks (the "**Split-Off Purchaser**"), in the form of **Exhibit E** attached hereto (the "**Split-Off Agreement**").

**I.** Simultaneously with the Closing (as defined in Section 1.2), the Parent, Split-Off Subsidiary and Split-Off Purchaser shall enter into a general release agreement in the form of **Exhibit F** attached hereto (the "**General Release Agreement**").

**J.** The Company has approved the Transaction pursuant to this Agreement, and the other transactions contemplated herein (the "**Contemplated Transactions**"), including the transfer of shares, in accordance with the Articles, as evidenced by the resolution of the supervisory board (*Aufsichtsrat*) and the approval declared by management board (*Vorstand*) of the Company, in the forms attached hereto as **Exhibit G** (the "**Company Board Approval**"). Parent has delivered to the Company the written consent of Parent's board of directors necessary to adopt this Agreement and approve the Contemplated Transactions, in the form attached hereto as **Exhibit H** (the "**Parent Written Consent**").

## AGREEMENT

NOW, THEREFORE, in consideration of the mutual promises set forth herein and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereby agree as follows:

### SECTION 1 DESCRIPTION OF TRANSACTION.

#### 1.1 The Transaction.

(a) Upon the terms and subject to the conditions set forth in this Agreement, at the Effective Time (as defined in Section 1.2), each Holder whose name is set forth on **Exhibit B** hereto hereby irrevocably contributes, transfers by assignment pursuant to Section 398, 413 of the German Civil Code (BGB), and delivers to Parent (i) all of the Existing Shares held by such Holder as legal and beneficial owner (*rechtlicher und wirtschaftlicher Eigentümer*) as set forth in

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the column entitled “Pieris AG Shares (all classes)” opposite such Holder’s name on **Exhibit B** hereto, that are of the class of security set forth in the columns entitled “Pieris AG Class of Shares”; and (ii) any and all rights associated with such Existing Shares held by such Holder, in exchange for that number of shares of Parent Common Stock as set forth on **Exhibit B** in the column entitled “**Parent Common Stock**”.

(b) If, during the period from the Execution Date through the Effective Time, the outstanding shares of Parent Common Stock are changed into a different number or class of shares by reason of any stock split, division or subdivision of shares, stock dividend, reverse stock split, consolidation of shares, reclassification, recapitalization or other similar transaction, or if a stock dividend is declared by Parent during such period, or a record date with respect to any such event shall occur during such period, then appropriate adjustments shall be made to number of shares of Parent Common Stock set forth on **Exhibit B**; provided, however, that no fractional shares of Parent Common Stock shall be issued in connection with the Transaction.

(c) Without undue delay after the Effective Time (but in any event within two (2) business days following the Effective Time), Parent shall cause the shares of Parent Common Stock issuable pursuant to Section 1.1(a) to be issued to the Holders.

(d) Prior to the Effective Time the Split-Off Purchaser shall surrender to the Parent 11,363,635 shares of Parent Common Stock (the “**Share Contribution**”) and the Parent shall transfer and assign to the Split-Off Purchaser all of the issued and outstanding shares of capital stock of Split-Off Subsidiary in connection with the Split-Off.

## 1.2 Closing; Effective Times of the Transaction.

(a) The consummation of the Transaction (the “**Closing**”) shall take place at the offices of Law Offices of Mintz, Levin, Cohn, Ferris, Glovky and Popeo, P.C. and Orrick, Herrington & Sutcliffe LLP referred to in Section 7.9, immediately following the satisfaction or waiver of the closing conditions set forth in Section 1.2(c) and 1.2(d). The date on which the Closing actually takes place is referred to as the “**Closing Date**.”

(b) Subject to the provisions of this Agreement, the Closing of the Transaction shall be effective at the time on the Closing Date when the fully-executed Transfer Agent Confirmation has been received by Orrick, Herrington & Sutcliffe LLP in accordance with Section 1.2(e)(ii), below (which time is referred to as the “**Effective Time**”).

(c) **Parent Closing Conditions.** The obligation of Parent to effect the Closing shall be conditioned upon the satisfaction of the following conditions or the waiver by Parent thereof:

(i) Delivery to Parent of the Company Board Approval;

(ii) All of the representations and warranties made by the Company in Section 2 and each of the Holders in Section 3 hereof being accurate in all material respects as of the Closing Date and the fulfillment in all material respects of all covenants of the Holders and the Company required by this Agreement. This condition shall be

deemed satisfied unless written notice is received by the Company and the Holders, in advance of the Effective Time, notifying them that Parent believes certain of the representations and warranties made by the Company in Section 2 and each of the Holders in Section 3 are materially incorrect; and

(iii) The Company shall have delivered to the Parent (A) a substantially final draft of a Current Report on Form 8-K reporting the information required in respect of the transactions contemplated by this Agreement and containing "Form 10 information" complying with Instruction (f) to Item 2.01 of Form 8-K and Instruction (a)(8) to Item 5.01 of Form 8-K, and (B) audited and interim unaudited financial statements of the Company and pro forma financial statements reflecting the Acquisition, compliant as to form with applicable SEC regulations for inclusion under Item 2.01(f) and/or 5.01(a)(8) of Form 8-K.

**(d) Company Closing Conditions.** The obligation of the Company to effect the Closing shall be conditioned upon the satisfaction of the following conditions or the waiver by the Company thereof:

(i) Delivery to the Company of (i) the Parent Written Consent, (ii) the written consent of all of the members of the board of directors of the Split-Off Subsidiary, and (iii) the written consent of the sole stockholder of the Split-Off Subsidiary;

(ii) All of the representations and warranties made by Parent in Section 4 hereof being accurate in all material respects as of the Closing Date and the fulfillment in all material respects of all covenants of the Holders and the Company required by this Agreement. This condition shall be deemed satisfied unless written notice is received by Parent and the Holders, in advance of the Effective Time, notifying them that the Company believes certain of the representations and warranties made by Parent in Section 4 are materially incorrect;

(iii) All liabilities, including any indebtedness, of Parent due and owing as of the Effective Time shall have been paid, forgiven or otherwise discharged by Parent without any liability to Parent or any other party hereto following the Closing, including but not limited to notes payable and accounts payable;

(iv) The execution and delivery to the Company by the Parent, the Split-Off Subsidiary and the Split-Off Purchaser of the Split-Off Agreement and a General Release Agreement, and all other documents anticipated by such agreements and the Split-Off;

(v) Surrender by the Split-Off Purchaser to the Parent the certificates for Parent Common Stock representing the Share Contribution, duly endorsed to the Parent or in blank); and

(vi) Delivery by Parent to the Split-Off Purchaser of certificates representing all of the issued and outstanding shares of capital stock of Split-Off



Subsidiary deliverable to the Split-Off Purchaser under the Split-Off Agreement, duly registered in the name of the Split-Off Purchaser or as directed by the Split-Off Purchaser.

**(e) Holders Closing Conditions.** The obligation of the Holders to effect the Closing shall be conditioned upon the satisfaction of the following conditions or the waiver by the Company thereof:

**(i)** The conditions set forth in Sections 1.2(c) and (d) have been met or waived by the appropriate party, and no written notice has been received by Parent, the Company or the Holders, from the other, alleging a representation and warranty by a party is materially incorrect;

**(ii)** Receipt by Orrick, Herrington & Sutcliffe LLP of a certificate signed by Parent and the Company stating that (A) at least ten million dollars (\$10,000,000) in gross proceeds (the “**Minimum Amount**”) is held in escrow in respect of the Private Offering (as defined below); (B) there is no condition to closing of the Private Offering of at least the Minimum Amount that remains unsatisfied other than consummation of the Transaction; and (C) the Private Offering of at least the Minimum Amount will be consummated immediately following the Closing of the Transaction (it being understood that there may be subsequent closings of the Private Offering for additional proceeds); and

**(iii)** Receipt by Orrick, Herrington & Sutcliffe LLP, with no restrictions on the release of any signature thereon (other than the occurrence of the Effective Time), of irrevocable issuance instructions by Parent to the Parent’s transfer agent authorizing the transfer agent to issue each Holder the shares of Parent Common Stock as set forth on **Exhibit B** upon the Closing, countersigned by the transfer agent indicating they will comply with such instructions and are in receipt of all documents necessary to issue such shares of Parent Common Stock (the “**Transfer Agent Confirmation**”).

**1.3 Tax Consequences.** For U.S. federal income Tax purposes, the Transaction is intended to constitute a transaction described in Section 351(a) of the Code, and the parties will report the Transaction as such for U.S. federal income Tax purposes. None of the parties will knowingly take any action, or fail to take any action, which action or failure to act would cause the Transaction to fail to qualify as a transaction described in Section 351(a) of the Code.

**1.4 Waiver of Rights by Holders.** At the Effective Time, each Holder hereby waives and relinquishes the following rights with regard to his respective shareholding in the Company as partial consideration for the receipt of Parent Common Stock:

**(a)** any and all subscription rights he may hold and/or own as legal or beneficial owner (the “**Subscription Rights**”);

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(b) any and all options and/or rights to acquire shares in the Company resulting from convertible loan, convertible bonds, option rights or option bonds, in any case the totality of rights to acquire or subscribe for shares in the Company (the “**Options**”); and

(c) any and all rights such Holder may have under the CSA 2014, including, but not limited to, rights of first refusal.

**1.5 Company Consent, Approval and Waiver.** The Company hereby approves and accepts the contributions, assignments, delegations, transfers and waivers as set forth in Sections 1.1 and 1.4 above, including with respect to the Existing Shares, the Subscription Rights and all rights under the CSA 2014. Sec. 23 of the CSA 2012 referred to deferred payments to the Company’s capital reserves pursuant to Sec. 272 Para. 2 no. 4 German Commercial Code (*Handelsgesetzbuch*) resulting from the seed finance round in 2001, which are owed by the following Holders: Steffen Schlehuber, Claus Schalper, Dr. Karsten Schürle, MAPO Beteiligungsgesellschaft mbH and are subject to dilution and reduction. The Company and the Holders determined the value of such deferred payments to the Company’s capital reserves to remain EUR 0.00 in total under the IA 2014, and therefore did not make any reference hereto in the CSA 2014. As a matter of precaution the Company waives, with effect as of the Effective Time, all deferred payment claims against the aforementioned Holders, who accept such waiver.

**1.6 Parent’s Acceptance of the Existing Shares.** Parent hereby accepts the contribution, transfer, assignment and delivery of the Existing Shares under Section 1.1(a). The Company hereby accepts the waiver of rights under the CSA 2014 as set forth under Section 1.4 above. The right to receive undistributed profits with regard to Existing Shares as well as any Subscription Rights shall belong exclusively to Parent.

**1.7 Further Action.** If, at any time after the Effective Time, any further action is determined by Parent and the Company to be necessary or desirable to carry out the purposes of this Agreement or to vest the Company with full right, title and possession of and to all rights and property of the Company, the officers and directors of the Company and Parent shall be, to the extent permitted by law, fully authorized (in the name of the Company and otherwise) to take such action. If, at any time after the Effective Time, any further action is determined by Parent and the Company to be necessary or desirable to carry out the purposes of this Agreement or to vest Parent with full right, title and possession of the Existing Shares, the officers and directors of the Company and Parent shall be, to the extent permitted by law, fully authorized (in the name of Parent and otherwise) to take such action. Following the Effective Time, the Holders agree to take all reasonable action requested by Parent or the Company in order to approve any of the actions described herein on behalf of the Company or to vest Parent with full right, title and possession of the Existing Shares.

**1.8 Registration Rights.** The Holders acknowledge that the Company intends for Parent to enter into a private offering of its equity securities immediately following the Effective Time in one or more closings (the “**Private Offering**”) pursuant to which the investors in such Private Offering will enter into a registration rights agreement with Parent in the form attached hereto as **Appendix I** (the “**Registration Rights Agreement**”). Not later than the consummation of the Private Offering, Parent and the Holders shall enter into the Registration Rights Agreement, pursuant to which Parent shall provide certain registration rights to the

Pieris/Marika Acquisition Agreement

Holders (in addition to the investors in the Private Offering) with respect to the shares of Parent Common Stock received by them pursuant to this Agreement. In the event that, for any reason, the Private Offering is not consummated within thirty (30) days following the Effective Time, Parent and the Holders shall execute and deliver the Registration Rights Agreement as modified to remove any reference to such Private Offering.

**SECTION 2 REPRESENTATIONS AND WARRANTIES OF THE COMPANY.** The Company represents and warrants to Parent, as of the Effective Time, as follows:

**2.1 Subsidiaries; Due Organization; Etc.**

(a) Other than Pieris Australia Pty. Ltd., a proprietary limited company wholly-owned by the Company and incorporated under the laws of Australia, the Company does not have any Subsidiaries and it does not own any capital stock of, or any equity interest of any nature in, any other Entity. The Company has not agreed to, nor is it obligated to make, or bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity.

(b) The Company is a stock corporation formed under the laws of Germany, duly organized, validly existing and is in good standing under the laws of the Germany and has all necessary power and authority: (i) to own and use its assets in the manner in which its assets are currently owned and used; and (ii) to perform its obligations under all Contracts by which it is bound.

**2.2 Capitalization.** The issued and outstanding share capital (*Grundkapital*) of the Company is currently euro 2,844,047, divided into 59,993 common shares and 2,784,054 preferred shares. **Exhibit B** attached hereto sets forth a complete and accurate list of all of the holders of issued and outstanding shares of the Company. Other than the Existing Shares listed on **Exhibit B**, neither the management or supervisory boards nor the shareholders of the Company have authorized, approved or promised the issuance of shares or other securities, or granted rights to receive shares or other securities, of the Company. No Person other than the Holders set forth on **Exhibit B** holds any Existing Shares, Subscription Rights or Options.

**2.3 Authority; Binding Nature of Agreement.** The Company has the corporate right, power and authority to enter into and perform its obligations under this Agreement. This Agreement has been duly executed and delivered by the Company and constitutes the legal, valid and binding obligation of the Company, enforceable against the Company in accordance with its terms, subject to: (i) laws of general application relating to insolvency and the relief of debtors; and (ii) rules of law governing specific performance, injunctive relief and other equitable remedies. The execution and delivery of this Agreement by the Company, the performance by the Company of its obligations hereunder, and the consummation of the Contemplated Transactions have been duly authorized by all necessary corporate proceedings on the part of the Company.

**2.4 Non-Contravention; Consents.** Neither (1) the execution, delivery or performance of this Agreement, nor (2) the consummation of the Transaction or any of the other Contemplated Transactions will directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of: (i) any of the provisions of the Articles or other organizational document of the Company; or (ii) any resolution adopted by the stockholders, the supervisory board or the management board of the Company; or

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(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge the Transaction or any of the other Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which the Company, or any of the assets owned or used by the Company, is subject. Except as have already been made or as would not affect the effectiveness of the Transaction or any of the other Contemplated Transactions, the Company is not and will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (x) the execution, delivery or performance of this Agreement; or (y) the consummation of the Transaction or any of the other Contemplated Transactions.

**SECTION 3 REPRESENTATIONS AND WARRANTIES OF HOLDERS.** Each Holder severally and not jointly represents and warrants to Parent, as of the Effective Time, as follows:

**3.1 Title; Ownership.**

(a) Such Holder is the legal and beneficial owner of the number of Existing Shares set forth in the column “Pieris AG Shares (all classes)” opposite such Shareholder’s name on **Exhibit B**, and such Existing Shares are of the share class as set forth in the column under the heading “Pieris AG Class of Shares” opposite such Holder’s name on **Exhibit B**. Such Holder has, and Parent will acquire at the Closing, good and valid title to the Existing Shares held by such Holder, free and clear of all liens, charges, security interests and encumbrances of any kind or nature whatsoever, the issuance of which has been properly authorized and registered with the Commercial Register. Such Holder has not previously assigned, sold, transferred, or pledged such Existing Shares, in whole or in part, or any rights associated therewith, or agreed to do any of the foregoing, to any other person or entity. Such Existing Shares constitute all the issued equity securities of the Company beneficially or legally owned or held of record by such Holder as of the Closing Date. Such Holder does not hold any share certificate with respect to any Existing Shares held by it.

(b) Such Holder has no right or claim to receive any payments from the Company, whether under any debt, loan, note, contract or commitment except pursuant to any employment, consulting or advisory agreement with the Company or its subsidiaries.

**3.2 No Proceedings.** To the best of such Holder’s knowledge, there is no Legal Proceeding pending, and no person has threatened to commence any Legal Proceeding, that may have an adverse effect on the ability of the Holder to comply with or perform any of such Holder’s obligations under this Agreement; and no event has occurred, and no claim, dispute or other condition or circumstance exists, that might directly or indirectly give rise to or serve as a basis for the commencement of any such Legal Proceeding.

**3.3 Due Authorization; Validity.** Such Holder is duly authorized and empowered to execute and deliver this Agreement and any related document, to perform its obligations

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hereunder and thereunder, and to consummate the Contemplated Transactions. This Agreement and any related document have been duly executed and delivered by such Holder, and constitute the valid and legally binding obligations of such Holder, enforceable against such Holder in accordance with the terms hereof and thereof. Such Holder is not a party to any Contract which would, in any manner, be inconsistent with the rights granted herein by such Holder to Parent or the Company, or which would be violated or breached by such Holder's performance of, or prevent or interfere with such Holder's ability to perform, its obligations under this Agreement or the consummation by such Holder of the Contemplated Transactions. The execution and delivery of this Agreement and any related document by such Holder do not, and the performance by such Holder of its obligations hereunder and thereunder and the consummation by such Holder of the Contemplated Transactions will not, (i) conflict in any material respect with any Legal Requirement or Order to which such Holder is subject or (ii) require such Holder to obtain any Consent from any Person that has not been obtained as of the Execution Date.

**3.4 Investment Representations.** Each Holder hereby confirms the accuracy and truthfulness of the representations and warranties set forth on **Exhibit I.1** hereto. Additionally, if such Holder is a Non-U.S. Resident, such Holder also hereby confirms the accuracy and truthfulness of the representations and warranties set forth on **Exhibit I.2** hereto. The term "**Non-U.S. Resident**" is defined in **Exhibit I.2**.

**3.5 Information.** Such Holder has had the opportunity to review the Parent Restated Charter, and the Parent's Bylaws, which sets forth the relative rights and privileges of the holders of Parent Common Stock, the summary of the relative rights and privileges of the Parent Common Stock and of the terms and conditions of the Transaction, which are set forth in this Agreement, the receipt of which such Holder hereby confirmed, and has had an opportunity to discuss such terms and conditions of the Contemplated Transactions, the relative rights and privileges of the Parent Common Stock and the terms and conditions of the Transaction, and the Parent's business, management, financial affairs with the officers and directors of the Company and Parent. Neither such review nor any other investigation conducted by such Holder shall modify, limit or otherwise affect such Holder's right to rely on the representations and warranties of the Company or the Parent contained in this Agreement.

**SECTION 4 REPRESENTATIONS AND WARRANTIES OF PARENT.** Parent represents and warrants to the Company and to the Holders, as of the Effective Time, as follows:

**4.1 Due Organization.**

(a) Other than the Split-Off Subsidiary, Parent does not have any Subsidiaries and it does not own any capital stock of, or any equity interest of any nature in, any other Entity. Parent has not agreed to, nor is it obligated to make, or bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity.

(b) Parent is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and Parent has all necessary power and authority: (i) to conduct its businesses in the manner in which its business is currently being conducted; (ii) to own and use its assets in the manner in which its assets are currently owned and used; and (iii) to perform its obligations under all Contracts by which it is bound.

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(c) Parent (in jurisdictions that recognize the following concepts) is qualified to do business as a foreign corporation, and is in good standing, under the laws of all jurisdictions where the nature of its business requires such qualification, except as would not have and would not reasonably be expected to have or result in a Parent Material Adverse Effect.

(d) The Split-Off Subsidiary is a corporation duly organized, validly existing and in good standing under the laws of the State of Nevada and the Split-Off Subsidiary has all necessary power and authority: (i) to conduct its businesses in the manner in which its business is currently being conducted; (ii) to own and use its assets in the manner in which its assets are currently owned and used; and (iii) to perform its obligations under all Contracts by which it is bound. The Split-Off Subsidiary was formed solely to effectuate the Split-Off and has not conducted any business operations since its organization. The Parent has delivered or made available to the Company complete and accurate copies of the charter, bylaws or other organizational documents of the Split-Off Subsidiary. There are no outstanding or authorized options, warrants, rights, agreements or commitments to which the Parent is a party or which are binding on it providing for the issuance, disposition or acquisition of any capital stock of the Parent or the Split-Off Subsidiary (except as contemplated by this Agreement and the Split-Off Agreement).

**4.2 Certificate of Incorporation and Bylaws.** The copy of the bylaws of Parent which is an exhibit to the Parent's Registration Statement on Form S-1 filed with the SEC on August 20, 2013 is a complete and correct copy of such document and contains all amendments thereto as in effect on the Execution Date. The Parent Restated Charter has been filed with the Secretary of State of the State of Nevada and Parent has delivered to the Company evidence thereof. The Parent Restated Charter is in full force and effect and no amendments thereto have been effected.

#### **4.3 Capitalization, Etc.**

(a) After giving effect to the Parent Restated Charter, the authorized capital stock of Parent consists of (i) 300,000,000 shares of Parent Common Stock, par value \$0.001 and (ii) 10,000,000 shares of Parent Preferred Stock, par value \$0.001. After giving effect to the Share Contribution in connection with the Split-Off, but prior to giving effect to the Transaction, 2,500,000 shares of Parent Common Stock were issued and outstanding, no shares of Parent Common Stock were held by Parent in its treasury, and no shares of Parent Preferred Stock are outstanding. The Parent Common Stock is presently eligible for quotation and trading on the OTC Markets and is not subject to any notice of suspension or delisting. The issued and outstanding shares of Parent Common Stock have been duly authorized and validly issued, are fully paid and nonassessable, and are free of preemptive rights. Since June 30, 2014, (i) there have been no issuances by Parent of shares of capital stock of Parent and (ii) there have been no issuances by Parent of any options, warrants or other rights to acquire capital stock of Parent. Except as expressly contemplated herein and in the Split-Off Agreement, and except for the 2.272727-for-1 forward split of Parent Common Stock in the form of a dividend that was effective on December 5, 2014, Parent has not, subsequent to December 31, 2013, declared or

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paid any dividend, or declared or made any distribution on, or authorized the creation or issuance of, or issued, or authorized or effected any split-up or any other recapitalization of, any of its capital stock, or directly or indirectly redeemed, purchased or otherwise acquired any of its outstanding capital stock. Except as expressly contemplated herein and in the Split-Off Agreement, Parent has not heretofore agreed to take any such action, and there are no outstanding contractual obligations of Parent of any kind to redeem, purchase or otherwise acquire any outstanding shares of capital stock of Parent. Other than the Parent Common Stock, there are no outstanding bonds, debentures, notes or other indebtedness or securities of Parent having the right to vote (or convertible into, or exchangeable for, securities having the right to vote) on any matters on which stockholders of Parent may vote. The capitalization of Parent, including the names of all holders, beneficially or of record, of Parent known to the board of directors of Parent, Montrose Capital Limited and the Placement Agents and holders of 1% or more of the capital stock of Parent, has been provided to the Company and the Holders.

(b) Except as set forth in Section 4.3(a), (i) there are no shares of capital stock or other voting securities of Parent issued, reserved for issuance or outstanding, and (ii) there are no outstanding securities, options, warrants, calls, rights, commitments, agreements, arrangements or undertakings of any kind to which Parent is a party or by which it is bound obligating Parent to issue, deliver or sell, or cause to be issued, delivered or sold, additional shares of capital stock or other voting securities of Parent or obligating Parent to issue, grant, extend or enter into any such security, option, warrant, call, right, commitment, agreement, arrangement or undertaking.

(c) All outstanding shares of Parent Common Stock, and all other securities of Parent, have been issued and granted in compliance with: (i) all applicable U.S. federal or state securities laws, including but not limited to the Securities Act, and applicable Legal Requirements other than securities laws applicable to Parent; and (ii) all material requirements set forth in applicable Contracts to which Parent is a party.

#### **4.4 SEC Filings; Financial Statements.**

(a) Parent has delivered (or made available on the SEC website) to the Company accurate and complete copies of all registration statements, proxy statements and other statements, reports, schedules, forms and other documents filed by Parent with, and all Parent Certifications (as defined below) filed or furnished by Parent with or to, the SEC since the formation of Parent, including all amendments thereto (collectively, the “**Parent SEC Documents**”). Except as set forth on Schedule 4.4(a), to the best knowledge of Parent all statements, reports, schedules, forms and other documents required to have been filed or furnished by Parent with or to the SEC since the formation of Parent have been so filed or furnished on a timely basis. As of the time it was filed with or furnished to the SEC: (i) each of the Parent SEC Documents complied as to form in all material respects with the applicable requirements of the Securities Act or the Exchange Act (as the case may be); and (ii) none of the Parent SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances under which they were made, not misleading, except to the extent corrected by the filing or furnishing of the applicable amending or superseding Parent SEC Document. Each of the certifications and statements relating to Parent SEC Documents required

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by: (1) Rule 13a-14 or 15d-14 under the Exchange Act; or (2) 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act) (collectively, the “**Parent Certifications**”) is accurate and complete, and complied as to form and content with all applicable Legal Requirements in effect at the time such Parent Certification was filed with or furnished to the SEC.

**(b)** Except as disclosed in the Parent SEC Documents, (i) Parent maintains disclosure controls and procedures required by Rule 13a-15 or 15d-15 under the Exchange Act and (ii) such disclosure controls and procedures are designed to ensure that all material information concerning Parent required to be disclosed by Parent in the reports that it is required to file, submit or furnish under the Exchange Act is recorded, processed, summarized and reported on a timely basis to the individuals responsible for the preparation of such reports.

**(c)** The financial statements (including any related notes) contained or incorporated by reference in the Parent SEC Documents: (i) complied as to form in all material respects with the published rules and regulations of the SEC applicable thereto; (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods covered (except as may be indicated in the notes to such financial statements or, in the case of unaudited financial statements, as permitted by Form 10-Q, Form 8-K or any successor form under the Exchange Act, and except that the unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end adjustments that will not, individually or in the aggregate, be material in amount), and (iii) fairly present in all material respects the consolidated financial position of Parent as of the respective dates thereof and the results of operations and cash flows of Parent for the periods covered thereby.

**(d)** Except as disclosed in the Parent SEC Documents, Parent is in compliance, and has been in compliance, with all applicable provisions of the Sarbanes-Oxley Act. To the knowledge of Parent, Parent’s auditor has at all times since the date of enactment of the Sarbanes-Oxley Act been: (i) a registered public accounting firm (as defined in Section 2(a)(12) of the Sarbanes-Oxley Act); (ii) “independent” with respect to Parent within the meaning of Regulation S-X under the Exchange Act; and (iii) in compliance with subsections (g) through (l) of Section 10A of the Exchange Act and the rules and regulations promulgated by the SEC and the Public Company Accounting Oversight Board thereunder. All non-audit services (as defined in Section 2(a)(8) of the Sarbanes-Oxley Act) performed by Parent’s auditors for Parent were approved as required by Section 202 of the Sarbanes-Oxley Act.

**(e)** As of the Effective Time, Parent has not filed a Form 15 or other like document with the SEC that might cause Parent to be delisted from the OTC Markets, and has complied with SEC rules and regulations and filed reports necessary under the Exchange Act with the SEC to maintain Parent’s voluntary filer status with the SEC.

**4.5 Absence of Changes.** Between December 31, 2013 and the Execution Date: (a) except as disclosed in the Parent SEC Documents, there has not been any Parent Material Adverse Effect, and no event has occurred or circumstance has arisen that, in combination with any other events or circumstances, would reasonably be expected to have or result in a Parent Material Adverse Effect; and (b) Parent has not been engaged in any business operations and has not had any products or customers and has not generated any revenues, other than as disclosed in the Parent SEC Documents.

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**4.6 Liabilities.** As of immediately following the Effective Time, Parent does not have any accrued, contingent or other liabilities, including any indebtedness, on an unconsolidated basis (excluding liabilities of the Company).

**4.7 Tax Matters.** Except as would not constitute, individually or in the aggregate, a Parent Material Adverse Effect:

(a) Each of the Tax Returns required to be filed by or on behalf of Parent with any Governmental Body on or before the Closing Date, including any applicable extensions (the “**Parent Returns**”): (i) has been or will be filed on or before the applicable due date (including any extensions of such due date); and (ii) has been, or will be when filed, prepared in compliance with all applicable Legal Requirements. All Taxes of Parent, whether or not shown on the Parent Returns, due on or before the Closing Date, have been or will be paid on or before the Closing Date.

(b) Schedule 4.7(b) sets forth the amount and kind of all unpaid Taxes of Parent as of the Closing (whether or not such Taxes are due or payable) that are attributable to a taxable period or portion thereof occurring prior to the Closing.

(c) Neither Parent nor any Parent Return is currently being (or has been) audited by any Governmental Body. No extension or waiver of the limitation period applicable to any of the Parent Returns has been granted (by Parent or any other Person), and no such extension or waiver has been requested from Parent, which extension or waiver is still in effect.

(d) No claim or Legal Proceeding is pending or, to the knowledge of Parent, has been threatened against or with respect to Parent in respect of any Tax. There are no unsatisfied liabilities for Taxes with respect to any notice of deficiency or similar document received by Parent with respect to any Tax.

(e) There are no liens for Taxes upon any of the assets of Parent.

(f) Parent has not been, and will not be, required to include any adjustment in taxable income for any Tax period (or portion thereof) pursuant to Section 481 or 263A of the Code (or any comparable provision of state or non-U.S. Tax laws) as a result of transactions or events occurring, or accounting methods employed, prior to the Closing.

(g) Schedule 4.7(g) sets forth all jurisdictions in which Parent has filed a Tax Return since December 31, 2011 and the Tax Returns filed in each such jurisdiction. Parent has delivered or otherwise made available to the Company accurate and complete copies of all Tax Returns of Parent for all Tax years or other relevant periods.

(h) No written claim has ever been received by Parent from any Governmental Body in a jurisdiction where Parent does not file a Tax Return that Parent is or may be subject to taxation by that jurisdiction which has resulted in an obligation by Parent to pay Taxes.

(i) Parent is not now and has never been a member of an “affiliated group of corporations” within the meaning of Section 1504 of the Code. Parent is not now and has never

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been a member of any combined, unitary or consolidated or similar group for state, local or non-U.S. Tax purposes or within the meaning of any similar Legal Requirement to which Parent may be subject.

(j) Parent is not liable for Taxes of any other Person. After giving effect to the Split-Off, Parent is not a party to or otherwise liable under any Contract relating to the allocation, sharing or indemnification of Taxes, or otherwise providing for payments by Parent with respect to any amount of Taxes of any other Person.

(k) Parent has not constituted either a “distributing corporation” or a “controlled corporation” within the meaning of Section 355(a)(1)(A) of the Code.

(l) Parent is not, and never has been, a “United States real property holding corporation” within the meaning of Section 897(c)(2) of the Code.

(m) Parent has taken no position on any U.S. federal income Tax Return (whether or not such position has been disclosed on any such U.S. federal income Tax Return) that would reasonably be expected to give rise to a material understatement penalty within the meaning of Section 6662 of the Code or any similar Legal Requirement.

(n) Parent is not now participating in and has never participated in a “Listed Transaction” or a “Reportable Transaction” within the meaning of Treasury Regulation Section 1.6011-4(b).

#### **4.8 Employee and Labor Matters; Benefit Plans.**

(a) Parent is not a party to or bound by, and, to the knowledge of Parent, never has been a party to or bound by, any union contract, collective bargaining agreement or similar Contract.

(b) Parent has never had any employees other than its current sole officer and director. There are no actions, suits, claims, labor disputes or grievances pending or, to the knowledge of Parent, threatened or reasonably anticipated relating to any labor, safety or discrimination matters involving any employee of Parent, including charges of unfair labor practices or discrimination complaints.

(c) Parent does not sponsor, maintain or have any obligation, and to Parent’s knowledge, has never sponsored, maintained or had any obligation under any Parent Employee Plan, and is not, and to Parent’s knowledge, has never been a party to or bound by any Parent Employee Agreement.

(d) Neither Parent nor any Parent Affiliate: (i) has violated or otherwise failed to comply in any material respect with any Legal Requirement respecting employment, employment practices, terms and conditions of employment or wages and hours, including the health care continuation requirements of COBRA, the requirements of FMLA, the requirements of HIPAA and the provisions of any similar Legal Requirement; (ii) has failed to withhold or report any amounts required by applicable Legal Requirements or by Contract to be withheld or reported with respect to wages, salaries and other payments to Parent Employees; (iii) is liable

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for any arrears of wages or any taxes or any penalty for failure to comply with the Legal Requirements applicable to any of the foregoing; and (iv) is liable for any payment to any trust or other fund governed by or maintained by or on behalf of any Governmental Body with respect to unemployment compensation benefits, social security or other benefits or obligations for Parent Employees (other than routine payments to be made in the normal course of business and consistent with past practice). There are no pending or, to the knowledge of Parent, threatened or reasonably anticipated claims or Legal Proceedings against Parent or any Parent Affiliate under any worker's compensation policy or long-term disability policy.

(e) To the knowledge of Parent, no stockholder of Parent, and no current Parent Associate, is obligated under any Contract or subject to any Order that would interfere with such Person's efforts to promote the interests of Parent or that would interfere with the business of Parent. Neither the execution nor the delivery of this Agreement, nor the carrying on of the business of Parent as presently conducted nor any activity of such stockholder or current Parent Associate in connection with the carrying on of the business of Parent as presently conducted will, to the knowledge of Parent, conflict with, result in a breach of the terms, conditions or provisions of, or constitute a default under, any Contract under which any of such stockholders or current Parent Associate has any rights or obligations.

#### **4.9 Legal Proceedings; Orders.**

(a) There is no pending Legal Proceeding, and (to the knowledge of Parent) no Person has threatened to commence any Legal Proceeding: (i) that involves Parent, any business of Parent or any of the assets owned, leased or used by Parent; or (ii) that challenges, or that may have the effect of preventing, delaying, making illegal or otherwise interfering with, the Transaction or any of the other Contemplated Transactions. To the knowledge of Parent, no event has occurred, and no claim, dispute or other condition or circumstance exists, that would reasonably be expected to give rise to or serve as a basis for the commencement of any Legal Proceeding of the type described in clause "(i)" or clause "(ii)" of the first sentence of this Section 4.9(a).

(b) There is no Order to which Parent, or any of the assets owned or used by Parent, is subject. To the knowledge of Parent, no officer or other key employee of Parent is subject to any Order that prohibits such officer or other employee from engaging in or continuing any conduct, activity or practice relating to the business of Parent.

**4.10 Authority; Binding Nature of Agreement.** Subject to obtaining the Required Parent Stockholder Vote (as defined in Section 4.11) with respect to the Transaction, Parent has the corporate right, power and authority to enter into and to perform its obligations under this Agreement. The board of directors of Parent (acting by written consent) as of the Execution Date has: (a) unanimously determined that the issuance of Parent Common Stock in the Transaction is advisable and fair to, and in the best interests of, Parent and its stockholders; (b) unanimously authorized and approved the execution, delivery and performance of this Agreement by Parent and unanimously approved the Transaction; (c) unanimously approved the execution, delivery and performance of the Split-Off Agreement and the General Release Agreement by Parent and unanimously approved the Split-Off; and (d) unanimously approved the Parent Restated Charter and directed that the Parent Restated Charter be submitted for

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consideration by Parent's stockholders. The board of directors of Split-Off Subsidiary (acting by written consent) as of the Execution Date has unanimously approved the execution, delivery and performance of the Split-Off Agreement and the General Release Agreement by the Split-Off Subsidiary and unanimously approved the Split-Off. This Agreement constitutes the legal, valid and binding obligation of Parent, enforceable against Parent in accordance with its terms, subject to: (A) laws of general application relating to bankruptcy, insolvency and the relief of debtors; and (B) rules of law governing specific performance, injunctive relief and other equitable remedies.

**4.11 Vote Required.** The only vote of Parent's stockholders required to approve the filing of the Parent Restated Charter is the affirmative vote of a majority of the outstanding shares of Common Stock of Parent (collectively, the "**Required Parent Stockholder Vote**"), which has been obtained on or prior to Closing Date.

**4.12 Non-Contravention; Consents.** Neither (1) the execution, delivery or performance of this Agreement, nor (2) the consummation of the Transaction or any of the other Contemplated Transactions will directly or indirectly (with or without notice or lapse of time):

(a) contravene, conflict with or result in a violation of: (i) any of the provisions of the certificate of incorporation or bylaws of Parent; or (ii) any resolution adopted by the stockholders, the board of directors or any committee of the board of directors of Parent;

(b) contravene, conflict with or result in a violation of, or give any Governmental Body or other Person the right to challenge the Transaction or any of the other Contemplated Transactions or to exercise any remedy or obtain any relief under, any Legal Requirement or any Order to which Parent, or any of the assets owned or used by Parent, is subject;

(c) contravene, conflict with or result in a violation of any of the terms or requirements of, or give any Governmental Body the right to revoke, withdraw, suspend, cancel, terminate or modify, any Governmental Authorization that is held by Parent or that otherwise relates to the business of Parent or to any of the assets owned or used by Parent;

(d) contravene, conflict with or result in a violation or breach of, or result in a default under, any provision of any material Contract to which Parent is a party or by which it is otherwise bound, or give any Person the right to: (i) declare a default or exercise any remedy under any such material Contract; (ii) a rebate, chargeback, penalty or change in delivery schedule under any such material Contract; (iii) accelerate the maturity or performance of any such material Contract; or (iv) cancel, terminate or modify any right, benefit, obligation or other term of such material Contract; or

(e) result in the imposition or creation of any Encumbrance upon or with respect to any asset owned or used by Parent (except for minor liens that will not, in any case or in the aggregate, materially detract from the value of the assets subject thereto).

Except as may be required by the Securities Act and the Exchange Act, Parent is not and will not be required to make any filing with or give any notice to, or to obtain any Consent from, any Person in connection with: (x) the execution, delivery or performance of this Agreement; or (y) the consummation of the Transaction or any of the other Contemplated Transactions.

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**4.13 Financial Advisor.** Except as set forth on Schedule 4.13, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Transaction or any of the other Contemplated Transactions based upon arrangements made by or on behalf of Parent.

**4.14 Valid Issuance.** The Parent Common Stock to be issued in the Transaction, including the Parent Common Stock to be issued upon the exercise of assumed and converted shares of the Company, has been duly authorized and will, when issued in accordance with the provisions of this Agreement, be validly issued, fully paid and nonassessable.

**4.15 Split-Off.**

(a) As of the Effective Time, the Parent will have discontinued all of its business operations which it conducted prior to the Effective Time by closing the transactions contemplated by the Split-Off Agreement and the General Release Agreement. Upon the closing of the transactions contemplated by the Split-Off Agreement and the General Release Agreement, the Parent will have no liabilities, contingent or otherwise, in any way related to its pre-Effective Time business operations or to the Split-Off Subsidiary.

(b) After giving effect to the Split-Off, (i) the fair saleable value of the Split-Off Subsidiary's assets exceeds the amount that will be required to be paid on or in respect of the Split-Off Subsidiary's existing debts and other liabilities (including known contingent liabilities) as they mature; (ii) the Split-Off Subsidiary's assets do not constitute unreasonably small capital to carry on its business as proposed to be conducted including its capital needs taking into account the particular capital requirements of the business to be conducted by the Split-Off Subsidiary, and projected capital requirements and capital availability thereof; and (iii) the cash flow of the Split-Off Subsidiary, together with the proceeds the Split-Off Subsidiary would receive, were it to liquidate all of its assets, after taking into account all anticipated uses of the cash, would be sufficient to pay all amounts on or in respect of its debt when such amounts are required to be paid. The Split-Off Subsidiary does not intend to incur debts beyond its ability to pay such debts as they mature (taking into account the timing and amounts of cash to be payable on or in respect of its debt). Parent has no knowledge of any facts or circumstances which lead it to believe that the Split-Off Subsidiary will file for reorganization or liquidation under the bankruptcy or reorganization laws of any jurisdiction within one year from the Closing Date.

**4.16 Compliance with Laws.**

(a) Parent has materially complied with all federal and state securities laws and regulations, including being current in all of its reporting obligations under such federal and state securities laws and regulations; and all prior issuances of securities have been either registered under the Securities Act, or exempt from registration.

(b) Parent is not in violation or breach of, conflict with, in default under (with or without the passage of time or the giving of notice or both) any provisions of (i) Parent's incorporation documents or (ii) any mortgage, indenture, lease, license or any other agreement or instrument.

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(c) No order suspending the effectiveness of any registration statement of Parent under the Securities Act or the Exchange Act has been issued by the SEC and, to Parent's knowledge, no proceedings for that purpose have been initiated or threatened by the SEC.

(d) Each of Parent and the Split-Off Subsidiary has not, and the past and present officers, directors and Parent Affiliates have not, been the subject of, nor does any officer or director of the Parent have any reason to believe that the Parent or any of its officers, directors or Parent Affiliates will be the subject of, any civil or criminal proceeding or investigation by any federal or state agency alleging a violation of securities laws, as well as U.S. anti-money laundering, anti-terrorist and asset-control laws, regulations, rules and orders.

(e) Each of Parent and the Split-Off Subsidiary has not been the subject of any voluntary or involuntary bankruptcy proceeding, nor has it been a party to any material litigation.

(f) Each of Parent and the Split-Off Subsidiary has not, and the past and present officers, directors and Parent Affiliates have not, been the subject of, nor does any officer or director of the Parent have any reason to believe that the Parent or any of its officers, directors or Parent Affiliates will be the subject of, any civil, criminal or administrative investigation or proceeding brought by any federal or state agency having regulatory authority over such entity or person.

## SECTION 5 LEGAL CONSEQUENCES.

5.1 The parties of this Agreement agree that the rights and remedies which the parties may have with respect to the breach of a representation, warranty, covenant or agreement or with respect to an indemnity contained in this Agreement are limited to the rights and remedies explicitly contained herein.

5.2 If one or more of the representations and warranties made by one of the Holders in this Agreement proves to be completely or partially inaccurate or incomplete then Parent shall be entitled to demand that the respective Holder puts Parent or the Company into the same situation it would have been had such representation or warranty been accurate and complete or had such obligation been complied with (*Naturalrestitution*) within a period of two months following receipt of a written demand. If the respective Holder fails to establish the said situation within such time period following such demand, or if the establishment of such situation is not possible, or is unacceptable to Parent or the respective Holder, Parent shall be entitled to demand payment of its (or the Company's) damages based on or arising out of such inaccuracy or failure (*kleiner Schadensersatz*) (collectively, the "**Damages**").

5.3 Parent shall, to the extent it has been positively aware of the situation, advise the Holders without undue delay (*unverzöglich*) in writing concerning the inaccuracy of a representation or warranty or the failure of Holders to comply with their obligations, the underlying facts and the expected amount of the Damages (hereinafter referred to as "**Parent's Claim**"). Parent shall provide the Holders with the information forming the basis of the respective Parent's Claim.



5.4 The parties agree that the provisions contained in this Agreement conclusively settle the Holders' liability to Parent following the Closing and the legal consequences of any breach of this Agreement, in particular regarding the inaccuracy of the representations or warranties made by and the failure by the Holders to perform their obligations under this Agreement and that in the event of a breach of such representations or warranties and obligations or other legal, contractual or quasi-contractual obligations of the Holders, Parent shall not be entitled to any other claims under or in connection with this Agreement following the Closing. Insofar as legally permissible, i.e. not in cases of willful misconduct (*Vorsatz*) or fraudulent intent (*Arglist*) on the part of Holders, Parent hereby waives the right following the Closing to raise any other contractual, quasi-contractual legal or other rights or claims – irrespective of the legal grounds thereof – and, in particular the right to rescind, claims to large damage compensation (*großer Schadenersatz*) and to assert claims to reverse transactions, rights of avoidance, claims for supplementary performance as well as claims for the positive violation of a contractual duty and frustration of contract. The Holders hereby accept such waiver.

5.5 The parties further agree that the representations and warranties do not under any circumstances constitute a “representation and warranty concerning the quality of the object” within the meaning of Section 443 of the German Civil Code (*BGB*). The parties consequently expressly waive the application of Sections 442 and 444 of the German Civil Code (*BGB*) following the Closing; Parent further expressly waives any rights pursuant to Sections 437 through 441 of the German Civil Code (*BGB*) following the Closing. Section 377 of the German Commercial Code (*HGB*) shall not apply following the Closing. Should it turn out that the aforementioned provisions concerning the limitation of the Holders' liability are completely or partially ineffective, Parent waives any right to bring claims following the Closing against the Holders, going beyond the limitations on liability in this Section 5 and the other limitations on liability contained in this Agreement, which the parties hereto intended to stipulate in the aforementioned provisions. The Holders hereby accept such waivers.

5.6 Following the Closing, Parent shall only be entitled to bring claims against a Holder hereunder if and to the extent that an individual claim exceeds the amount of EUR 25,000.00 (in words: twenty-five thousand euros) and, in addition, all claims in total exceed the amount of EUR 1,000,000.00 (in words: one million euros); thereafter, the claims are payable in full (exemption amount; *Freigrenze*). The total amount of claims by Parent against a Holder hereunder following the Closing shall not exceed fifty percent of the pre money valuation of the respective shares of the Company with regard to each contributing Holder hereunder.

5.7 The limitations of liability pursuant to Section 5.6 shall not apply to willful or fraudulent acts of the Holders. In this case, the claims of Parent under this Agreement following the Closing shall be limited to the consideration received by the Holders hereunder.

5.8 The Holders' liability pursuant to this Agreement following the Closing shall be excluded if and to the extent that one of the following situations exists:

(a) The fact or Damages themselves forming the basis of the inaccuracy and/or incompleteness of the representations and warranties has been disclosed to Parent in this Agreement and/or its schedules and exhibits.

(b) The Damages have been completely or partially taken into account in one, several or all of the Company's financial statements as a result of liability reserves or accruals.

(c) The Damages are offset in full or in part within Parent and/or the Company pursuant to the principles of benefit-sharing (*Grundsätze des Vorteilsausgleichs*).

(d) The Damages stem from the fact that as far as is currently known an existing law or other existing legal provision is being amended, or a new law or another new legal provision is coming into force, or from the fact that an official order is being issued.

(e) The Parent's Claim has been satisfied through any insurance.

(f) Contributory negligence pursuant to the legal principle contained in Section 254 of the German Civil Code (*BGB*) regarding the creation of the Parent's Claim has to be attributed to Parent.

5.9 Should one or more of the representations or warranties made by Parent under this Agreement turn out to be incorrect and/or incomplete, the provisions of this Section 5 shall apply mutatis mutandis.

5.10 Any claim by Parent with respect to the title or ownership of, and/or lack of encumbrances on, the Existing Shares represented by the Holders under Section 3.1 (a) shall survive indefinitely. All other representation and warranty claims shall expire, in deviation from the statutory provisions, two (2) years after the Closing Date, if and to the extent any provision in this Agreement does not provide otherwise.

## SECTION 6 CERTAIN COVENANTS OF THE PARTIES.

### 6.1 Rights.

(a) Each Holder holding shares in the Company and any and all rights under the CSA 2014 or IA 2014 and/or any investment agreement hereby agrees not to transfer, assign or encumber any such shares or rights in the period from the Execution Date to the Effective Time.

(b) The Company shall not grant and the Holders shall not approve such granting to any Holder, or any other person, any rights, including without limitation any conversion rights or option rights, to subscribe for or to receive any existing or future shares or other securities of the Company in the period from the Execution Date to the Effective Time.

**6.2 Extinguishment of Rights.** Each Holder acknowledges and agrees that effective as of the Closing, such Shareholder shall no longer be shareholder of the Company and shall have no rights with respect to the Existing Shares and any Subscription Rights, except the right to receive the shares of Parent Common Stock as provided herein.

**6.3 Commercial Register.** The Company shall not make or submit any modifications or amendments of corporate documents, including but not limited to the Articles, to the Commercial Register prior to the Closing Date, except as required by the Commercial Register prior to the Closing.

**6.4 Registration.** As soon as practicable after the Closing, the Company shall register Parent as registered shareholder of the Company under Section 67 German Stock Corporation Act (*Aktiengesetz*).

**6.5 No Exercise of Rights.** Each Holder shall not, and hereby agrees not to, exercise any Subscription Rights or any conversion rights or options to receive shares under any Convertible Note or any Option held by such Holder in the period between the Execution Date and the Effective Time.

**6.6 Press Releases.** The Company and Parent shall agree with each other as to the form and substance of any press release or public announcement related to this Agreement or the Contemplated Transactions; *provided, however*, that nothing contained herein shall prohibit any party hereto, following notification to the other parties hereto, from making any disclosure which is required by law or regulation. If any such press release or public announcement is so required, the party making such disclosure shall consult with the other parties prior to making such disclosure, and the parties shall use all reasonable efforts, acting in good faith, to agree upon a text for such disclosure which is satisfactory to the parties.

**6.7 Closing Efforts.** Each of the parties hereto shall use its best efforts, to the extent commercially reasonable in light of the circumstances (“**Reasonable Best Efforts**”), to take all actions and to do all things necessary, proper or advisable to consummate the Transaction contemplated by this Agreement and the Contemplated Transactions, including without limitation using its Reasonable Best Efforts to ensure that (i) its representations and warranties remain true and correct in all material respects through the Closing Date and (ii) the conditions to the obligations of the other parties hereto to consummate the Acquisition are satisfied. Each of the parties hereto shall use its Reasonable Best Efforts to cooperate in the preparation and timely filing of all SEC and other filings required to be completed or filed in connection with the Acquisition, including but not limited to a Form 8-K disclosing, among other things, the Acquisition.

**6.8 Parent Equity Plan.** Prior to or as of the Effective Time, the board of directors and shareholders of Parent shall adopt the equity incentive plan attached hereto as **Exhibit J** (the “**Parent Equity Plan**”) reserving for issuance 3,200,000 shares of Parent Common Stock for equity awards to be made thereunder.

## **SECTION 7 MISCELLANEOUS PROVISIONS.**

**7.1 Amendment.** This Agreement may be amended only in writing signed on behalf of each party to this Agreement. This also applies to this Section. However, the written form requirement pursuant to sentence 1 of this Section 7.1 does not apply to any changes or additions to this Agreement and/or to its appendices, schedules and/or exhibits that are made after one

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party's execution and before the Effective Time; for such changes or additions it shall be sufficient that an email confirmation of the changes or additions is sent to Orrick, Herrington & Sutcliffe LLP by each party to this Agreement.

## 7.2 Waiver.

(a) Any party hereto may: (i) extend the time for the performance of any of the obligations or other acts of the other parties to this Agreement; (ii) waive any inaccuracy in or breach of any representation, warranty, covenant or obligation of the other party in this Agreement or in any document delivered pursuant to this Agreement; and (iii) waive compliance with any covenant, obligation or condition for the benefit of such party contained in this Agreement; in each case, without the consent of any other party hereto.

(b) No failure on the part of any party to exercise any power, right, privilege or remedy under this Agreement, and no delay on the part of any party in exercising any power, right, privilege or remedy under this Agreement, shall operate as a waiver of such power, right, privilege or remedy; and no single or partial exercise of any such power, right, privilege or remedy shall preclude any other or further exercise thereof or of any other power, right, privilege or remedy.

(c) No party shall be deemed to have waived any claim arising out of this Agreement, or any power, right, privilege or remedy under this Agreement, unless the waiver of such claim, power, right, privilege or remedy is expressly set forth in a written instrument duly executed and delivered on behalf of such party; and any such waiver shall not be applicable or have any effect except in the specific instance in which it is given.

**7.3 No Survival of Representations and Warranties.** None of the representations and warranties contained in this Agreement shall survive the Transaction, provided that there is no violation of the representations and warranties at the point in time the Transaction is consummated.

**7.4 Entire Agreement; Counterparts; Exchanges by Facsimile or Electronic Delivery.** This Agreement and the appendices, schedules and exhibits referred to herein, the Split-Off Agreement and the General Release Agreement constitute the entire agreement and supersede all prior agreements and understandings, both written and oral, among or between any of the parties with respect to the subject matter hereof and thereof; *provided, however*, that covenants in respect of confidential information contained in that certain Term Sheet dated November 7, 2014 between the Company and Montrose Capital Limited shall not be superseded and shall remain in full force and effect. This Agreement may be executed in several counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument. The exchange of a fully executed Agreement (in counterparts or otherwise) by facsimile or by electronic delivery shall be sufficient to bind the parties to the terms and conditions of this Agreement.

**7.5 Applicable Law; Jurisdiction.** This Agreement shall be exclusively governed by the law of the Federal Republic of Germany to the exclusion of private international law and the UN Convention on the International Sale of Goods (CISG).

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**7.6 Expenses.** All fees and expenses incurred in connection with this Agreement and the Contemplated Transactions shall be paid by the party incurring such expenses, whether or not the Transaction is consummated, provided that if the Transaction is consummated, Parent will pay the fees and expenses of Crone Kline Rinde LLP up to a maximum amount of \$150,000, amounts above which shall be paid by Montrose Capital Limited.

**7.7 Attorneys' Fees.** In any action at law or suit in equity to enforce this Agreement or the rights of any of the parties hereunder, the prevailing party in such action or suit shall be entitled to receive a reasonable sum for its attorneys' fees and all other reasonable costs and expenses incurred in such action or suit from the non prevailing party.

**7.8 Assignability; No Third Party Rights.** This Agreement shall be binding upon, and shall be enforceable by and inure solely to the benefit of, the parties hereto and their respective successors and assigns; *provided, however*, that neither this Agreement nor any party's rights or obligations hereunder may be assigned or delegated by such party without the prior written consent of the other parties, and any attempted assignment or delegation of this Agreement or any of such rights or obligations by any party without the prior written consent of the other parties shall be void and of no effect. Nothing in this Agreement, express or implied, is intended to or shall confer upon any Person (other than the parties hereto) any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement.

**7.9 Notices.** All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given or made as follows: (a) if sent by registered or certified mail in the United States return receipt requested, upon receipt; (b) if sent by nationally recognized overnight air courier (such as DHL or Federal Express), two business days after sending; (c) if sent by facsimile transmission before 5:00 p.m. recipient local time, when transmitted and receipt is confirmed; (d) if sent by facsimile transmission after 5:00 p.m. recipient local time and receipt is confirmed, on the following business day; and (e) if otherwise actually personally delivered, when delivered, provided that such notices, requests, demands and other communications are delivered to the address set forth below (for the Holders to the address set forth in this Section pre-Closing, and to the address set forth in each Holder's signature block post-Closing), or to such other address as any party shall provide by like notice to the other parties to this Agreement:

if to Parent (pre-Closing):

Marika Inc.  
c/o Crone Kline Rinde LLP  
488 Madison Ave. 12th Floor  
New York, NY 10022  
Attn: Chief Executive Officer  
Phone: +1 (212) 400-6900  
Fax: +1 (212) 400-6901  
Email: notices@ckrlaw.com

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If to the Company or the Holders (pre-Closing) or Parent (post-Closing):

Pieris AG  
Lise-Meitner-Straße 30  
85354 Freising, Germany  
Attn. Stephen S. Yoder, CEO  
Phone: +4981611411400  
Fax: +4981611411444  
E-mail: yoder@pieris-ag.com

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

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.  
One Financial Center  
Boston, MA 02111  
Attn: William Hicks  
Phone: +1(617) 348-1799  
Fax: +1(617) 542-2241  
Email: wchicks@mintz.com

and

Orrick, Herrington & Sutcliffe LLP  
Rosental 4  
80331 Munich, Germany  
Attn. Dr. Timo Holzborn  
Phone: +49(89) 383980-120  
Fax: +49(89) 383980-99  
Email: tholzborn@orrick.com

If to the Holders (post-Closing): To each Holder's respective address as set forth in their signature block.

**7.10 Cooperation.** Each party hereto agrees to cooperate fully with each other party hereto to consummate the transactions contemplated herein and to execute and deliver such further documents, certificates, agreements and instruments and to take such other actions as may be reasonably requested by the other party to evidence or reflect the contemplated transactions and to carry out the intent and purposes of this Agreement.

**7.11 Severability.** Any term or provision of this Agreement that is invalid or unenforceable in any situation in any jurisdiction shall not affect the validity or enforceability of the remaining terms and provisions of this Agreement or the validity or enforceability of the offending term or provision in any other situation or in any other jurisdiction. If a final judgment of a court of competent jurisdiction declares that any term or provision of this Agreement is invalid or unenforceable, the parties hereto agree that the court making such determination shall have the power to limit such term or provision, to delete specific words or phrases or to replace such term or provision with a term or provision that is valid and enforceable and that comes closest to expressing the intention of the invalid or unenforceable term or provision, and this Agreement shall be valid and enforceable as so modified. In the event such court does not

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exercise the power granted to it in the prior sentence, the parties hereto agree to replace such invalid or unenforceable term or provision with a valid and enforceable term or provision that will achieve, to the extent possible, the economic, business and other purposes of such invalid or unenforceable term or provision. The same shall apply mutatis mutandis to the interpretation of any lacunae in this Agreement.

#### **7.12 Construction.**

**(a)** For purposes of this Agreement, whenever the context requires: the singular number shall include the plural, and vice versa; the masculine gender shall include the feminine and neuter genders; the feminine gender shall include the masculine and neuter genders; and the neuter gender shall include masculine and feminine genders.

**(b)** The parties hereto agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in the construction or interpretation of this Agreement.

**(c)** As used in this Agreement, the words “include” and “including,” and variations thereof, shall not be deemed to be terms of limitation, but rather shall be deemed to be followed by the words “without limitation.”

**(d)** Except as otherwise indicated, all references in this Agreement to “Sections” and “Exhibits” are intended to refer to Sections of this Agreement and Exhibits to this Agreement.

**(e)** The bold-faced headings contained in this Agreement are for convenience of reference only, shall not be deemed to be a part of this Agreement and shall not be referred to in connection with the construction or interpretation of this Agreement.

*[Remainder of page intentionally left blank]*



IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the date first above written.

“Parent”

**PIERIS PHARMACEUTICALS, INC.**

a Nevada corporation

/s/ Aleksandrs Sviks

By: Aleksandrs Sviks

Its: President and Chief Executive Officer

“Holders”

**BayTech Venture Capital GmbH & Co. KG**

/s/ i.V. Timo Holzborn

By: Timo Holzborn

Its: Attorney-in-fact

Address:

c/o RBS

Herzog-Heinrich-Str. 22 D-80336 Munch,  
Germany

**Dr. Steffen Schlehuber**

/s/ i.V. Timo Holzborn

By: Timo Holzborn

Its: Attorney-in-fact

Address:

In den Kappesgärten 22, 97152 Ruppertsberg,  
Germany

“Company”

**PIERIS AG**

a German stock corporation

/s/ Stephen S. Yoder

By: Stephen S. Yoder

Its: Chief Executive Officer

“Holders”

**Prof. Skerra Beteiligungsgesellschaft mbH**

/s/ i.V. Timo Holzborn

By: Timo Holzborn

Its: Attorney-in-fact

Address:

Max-Lehner-Straße 19, 85354 Freising,  
Germany

**Claus Schalper**

/s/ i.V. Timo Holzborn

By: Timo Holzborn

Its: Attorney-in-fact

Address:

Kaiser-Ludwig-Platz 1, 80336 Munich,  
Germany

***Transaction Agreement Signature Page***

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**Dr. Karsten Schürle**

/s/ i.V. Timo Holzborn

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By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Palmstraße 7, 60316 Frankfurt a.M., Germany

**BioM Aktiengesellschaft Munich BioTech Development**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Am Klopferspitz 19, 82152 Planegg, Germany

**TransConnect Unternehmensberatungsund Beteiligungs AG**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Prinzregentenstraße 56, 80538 Munich,  
Germany

**The Global Life Science Ventures Fund II Limited Partnership**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
1 Royal Plaza, Royal Avenue, St. Peter Port,  
Guernsey,G41 2HL, UK

**MAPO Beteiligungsgesellschaft mbH**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Hubertusweg 34, 85540 Haar, Germany

**BioM Venture Capital GmbH & Fonds KG**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Am Klopferspitz 19, 82152 Planegg, Germany

**The Global Life Science Ventures Fonds II GmbH & Co. KG**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Tal 26, 80331 Munich, Germany

**Gilde Europe Food & Agribusiness Fund B.V.**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Newtonlaan 91, 3508 AB Utrecht, The  
Netherlands

***Transaction Agreement Signature Pages***

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**Coöperatieve AAC LS U.A.**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:

Gooimeer 2-35, P.O. Box 5187, 1411 DC  
Naarden, The Netherlands

**KfW**

/s/ i.V. Jiang Bian

---

By: Jiang Bian  
Its: Attorney-in-fact

Address:

Ludwig-Erhard-Platz 1-3, 53179 Bonn,  
Germany

**Orbimed Associates III, LP**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:

601 Lexington Ave, Floor 54, New York,  
NY 10022, USA

**Dr. Martin Pöhlchen**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:

Hubertusweg 34, 85540 Haar, Germany

**Technologie Beteiligungsfonds Bayern II GmbH & Co. KG**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:

Ländgasse 135a, 84028 Landshut, Germany

**Orbimed Private Investments III, LP**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:

601 Lexington Ave, Floor 54, New York,  
NY 10022, USA

**Novo Nordisk A/S**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:

Novo Allé, 2880 Bagsvaerd, Denmark

**Prof. Dr. Arne Skerra**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:

Max-Lehner-Straße 19, 85354 Freising,  
Germany

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**Cadila Healthcare Ltd.**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Zydus Tower, Satellite Cross Roads,  
Ahmedabad - 380 015, India

**Mark Tompkins**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
App 1, Via Guidino 23, Lugano 6900, Switzerland

**ABG II-Pieris Limited**

/s/ i.V. Timo Holzborn

---

By: Timo Holzborn  
Its: Attorney-in-fact

Address:  
Room 1816, 18/F., Hutchison House,  
10 Harcourt Road, Central, Hong Kong

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## EXHIBIT A

### CERTAIN DEFINITIONS

For purposes of the Agreement (including this Exhibit A):

**Agreement.** “Agreement” shall mean the Acquisition Agreement to which this Exhibit A is attached, as it may be amended from time to time.

**COBRA.** “COBRA” shall mean the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended.

**Code.** “Code” shall mean the United States Internal Revenue Code of 1986, as amended.

**Company Material Adverse Effect.** “Company Material Adverse Effect” shall mean any effect, change, event or circumstance (each, an “**Effect**”) that, considered together with all other Effects, has a material adverse effect on: (a) the business, financial condition, operations or results of operations of the Company taken as a whole; *provided, however*, that, in no event shall any of the following, alone or in combination, be deemed to constitute, nor shall any of the following be taken into account in determining whether there has occurred, a Company Material Adverse Effect: Effects resulting from (i) conditions generally affecting the industries in which the Company participates or the U.S. or global economy or capital markets as a whole, to the extent that such conditions do not have a disproportionate impact on the Company; (ii) any failure by the Company to meet internal projections or forecasts or third party revenue or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Agreement (it being understood, however, that any Effect causing or contributing to such failures to meet projections or predictions may constitute a Company Material Adverse Effect and may be taken into account in determining whether a Company Material Adverse Effect has occurred); (iii) the execution, delivery, announcement or performance of the obligations under this Agreement or the announcement, pendency or anticipated consummation of the Transaction; (iv) any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof; (v) any changes (after the Execution Date) in GAAP or applicable Legal Requirements; and (vi) the taking of any action required by this Agreement; (b) the ability of the Company to consummate the Transaction or to perform any of its covenants or obligations under the Agreement; or (c) Parent’s ability to vote, transfer, receive dividends with respect to or otherwise exercise ownership rights with respect to the stock of the Company.

**Consent.** “Consent” shall mean any approval, consent, ratification, permission, waiver or authorization (including any Governmental Authorization).

**Contemplated Transactions.** “Contemplated Transactions” shall mean the Transaction pursuant to this Agreement, and the other transactions contemplated herein .

**Contract.** “Contract” shall mean any written, oral or other agreement, contract, subcontract, lease, understanding, arrangement, instrument, note, option, warranty, purchase order, license, sublicense, insurance policy, benefit plan or legally binding commitment or undertaking of any nature.

**DOL.** “DOL” shall mean the United States Department of Labor.

**Encumbrance.** “Encumbrance” shall mean any lien, pledge, hypothecation, charge, mortgage, easement, encroachment, imperfection of title, title exception, title defect, right of possession, lease, tenancy license, security interest, encumbrance, claim, infringement, interference, option, right of first refusal, preemptive right, community property interest or restriction of any nature (including any restriction on the voting of any security, any restriction on the transfer of any security or other asset, any restriction on the receipt of any income derived from any asset, any restriction on the use of any asset and any restriction on the possession, exercise or transfer of any other attribute of ownership of any asset).

**Entity.** “Entity” shall mean any corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, company (including any company limited by shares, limited liability company or joint stock company), firm, society or other enterprise, association, organization or entity.

**ERISA.** “ERISA” shall mean the Employee Retirement Income Security Act of 1974, as amended.

**Exchange Act.** “Exchange Act” shall mean the Securities Exchange Act of 1934, as amended.

**GAAP.** “GAAP” shall mean generally accepted accounting principles in the United States.

**Governmental Authorization.** “Governmental Authorization” shall mean any: (a) permit, license, certificate, franchise, permission, variance, clearance, registration, qualification or authorization issued, granted, given or otherwise made available by or under the authority of any Governmental Body or pursuant to any Legal Requirement; or (b) right under any Contract with any Governmental Body.

**Governmental Body.** “Governmental Body” shall mean any: (a) nation, state, commonwealth, province, territory, county, municipality, district or other jurisdiction of any nature; (b) federal, state, local, municipal, foreign or other government; (c) governmental or quasi-governmental authority of any nature (including any governmental division, department, agency, commission, instrumentality, official, ministry, fund, foundation, center, organization, unit, body or Entity and any court or other tribunal); or (d) self-regulatory organization.

**IRS.** “IRS” shall mean the United States Internal Revenue Service.

**Legal Proceeding.** “Legal Proceeding” shall mean any action, suit, litigation, arbitration, proceeding (including any civil, criminal, administrative, investigative or appellate proceeding), hearing, inquiry, audit, examination or investigation commenced, brought, conducted or heard by or before, or otherwise involving, any court or other Governmental Body or any arbitrator or arbitration panel.

**Legal Requirement.** “Legal Requirement” shall mean any federal, state, local, municipal, foreign or other law, statute, constitution, principle of common law, resolution,

ordinance, code, edict, decree, rule, regulation, order, award, ruling or requirement issued, enacted, adopted, promulgated, implemented or otherwise put into effect by or under the authority of any Governmental Body.

**NGCL.** “NGCL” shall mean the General Corporation Law of the State of Nevada.

**Order.** “Order” shall mean any order, writ, injunction, judgment or decree.

**Parent Affiliate.** “Parent Affiliate” shall mean any Person under common control with Parent or required to be aggregated with Parent within the meaning of Section 414(b), Section 414(c), Section 414(m) or Section 414(o) of the Code, and the regulations issued thereunder.

**Parent Associate.** “Parent Associate” shall mean any current or former officer or other employee, or current or former independent contractor, consultant or director, of or to Parent.

**Parent Common Stock.** “Parent Common Stock” shall mean the Common Stock, \$0.001 par value per share, of Parent.

**Parent Employee.** “Parent Employee” shall mean any officer or other employee of Parent.

**Parent Employee Agreement.** “Parent Employee Agreement” shall mean any management, employment, severance, retention, transaction bonus, change in control, consulting, relocation, repatriation or expatriation agreement or other similar Contract between: (a) Parent; and (b) any Parent Associate, other than any such Contract that is terminable “at will” (or following a notice period imposed by applicable law) without any obligation on the part of Parent to make any severance, termination, change in control or similar payment or to provide any benefit, other than severance payments required to be made by Parent under applicable foreign law.

**Parent Employee Plan.** “Parent Employee Plan” shall mean any plan, program, policy, practice or Contract providing for compensation, severance, termination pay, deferred compensation, performance awards, stock or stock-related awards, fringe benefits, retirement benefits or other benefits or remuneration of any kind, whether or not in writing and whether or not funded, including each “employee benefit plan,” within the meaning of Section 3(3) of ERISA (whether or not ERISA is applicable to such plan): (a) that is or has been maintained or contributed to, or required to be maintained or contributed to, by Parent for the benefit of any Parent Associate; or (b) with respect to which Parent has or may incur or become subject to any liability or obligation; *provided, however,* that a Parent Employee Agreement shall not be considered a Parent Employee Plan.

**Parent Material Adverse Effect.** “Parent Material Adverse Effect” shall mean any Effect that, considered together with all other Effects, has a material adverse effect on: (a) the business, financial condition, operations or results of operations of Parent taken as a whole; *provided, however,* that, in no event shall any of the following, alone or in combination, be deemed to constitute, nor shall any of the following be taken into account in determining whether there has occurred, a Parent Material Adverse Effect: Effects resulting (i) from conditions generally affecting the industries in which Parent participates or the U.S. or global economy or

capital markets as a whole, to the extent that such conditions do not have a disproportionate impact on Parent; (ii) changes in the trading price or trading volume of Parent Common Stock (it being understood, however, that any Effect causing or contributing to such changes in the trading price or trading volume of Parent Common Stock may constitute a Parent Material Adverse Effect and may be taken into account in determining whether a Parent Material Adverse Effect has occurred); (iii) any failure by Parent to meet internal projections or forecasts or third party revenue or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Agreement (it being understood, however, that any Effect causing or contributing to such failures to meet projections or predictions may constitute a Parent Material Adverse Effect and may be taken into account in determining whether a Parent Material Adverse Effect has occurred); (iv) the execution, delivery, announcement or performance of the obligations under this Agreement or the announcement, pendency or anticipated consummation of the Transaction; (v) any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof; (vi) any changes (after the Execution Date) in GAAP or applicable Legal Requirements; and (vii) the taking of any action required by this Agreement; or (b) the ability of Parent to consummate the Transaction or to perform any of its covenants or obligations under the Agreement.

**Parent Pension Plan.** “Parent Pension Plan” shall mean each: (a) Parent Employee Plan that is an “employee pension benefit plan,” within the meaning of Section 3(2) of ERISA; or (b) other occupational pension plan, including any final salary or money purchase plan.

**Parent Preferred Stock.** “Parent Preferred Stock” shall mean the Preferred Stock, \$0.001 par value per share, of Parent.

**Person.** “Person” shall mean any individual, Entity or Governmental Body.

**Sarbanes-Oxley Act.** “Sarbanes-Oxley Act” shall mean the Sarbanes-Oxley Act of 2002, as it may be amended from time to time.

**SEC.** “SEC” shall mean the United States Securities and Exchange Commission. Securities Act.

**“Securities Act”** shall mean the Securities Act of 1933, as amended.

**Subsidiary.** An Entity shall be deemed to be a “Subsidiary” of another Person if such Person directly or indirectly owns or purports to own, beneficially or of record: (a) an amount of voting securities of or other interests in such Entity that is sufficient to enable such Person to elect at least a majority of the members of such Entity’s board of directors or other governing body; or (b) at least 50% of the outstanding equity, voting or financial interests in such Entity.

**Tax.** “Tax” shall mean any U.S. federal, state, local or non-U.S. tax (including any income tax, franchise tax, capital gains tax, gross receipts tax, value-added tax, surtax, estimated tax, unemployment tax, national health insurance tax, excise tax, ad valorem tax, transfer tax, stamp tax, sales tax, use tax, property tax, business tax, withholding tax, payroll tax, tariff or duty including any customs duty), and any penalty or interest thereon, imposed, assessed or collected by or under the authority of any Governmental Body.



**Tax Return.** “Tax Return” shall mean any return (including any information return), or any written report, statement, declaration, estimate, schedule, notice, notification, form, election, certificate or other written document, and any amendment or supplement to any of the foregoing, filed with or submitted to, or required to be filed with or submitted to, any Governmental Body in connection with the determination, assessment, collection or payment of any Tax or in connection with the administration, implementation or enforcement of or compliance with any Legal Requirement relating to any Tax.

**Treasury Regulation.** “Treasury Regulation” shall mean a regulation issued pursuant to the Code.

**EXHIBIT C**

**PARENT RESTATED CHARTER**

**EXHIBIT D**

**POST-EFFECTIVE TIME OFFICERS & DIRECTORS OF PARENT**

**EXHIBIT E**

**FORM OF SPLIT-OFF AGREEMENT**

**EXHIBIT F**

**FORM OF GENERAL RELEASE AGREEMENT**

**EXHIBIT G**

**COMPANY BOARD APPROVAL**

**EXHIBIT H**

**PARENT WRITTEN CONSENT**

**EXHIBIT I.1**

**INVESTMENT REPRESENTATIONS AND WARRANTIES OF HOLDERS**

**EXHIBIT I.2**

**INVESTMENT REPRESENTATIONS AND WARRANTIES OF NON-U.S. RESIDENTS**

**EXHIBIT J**

**PARENT EQUITY PLAN**

**APPENDIX I**

**REGISTRATION RIGHTS AGREEMENT**

**Schedule 4.4(a)**

SEC Filings

**Schedule 4.7(b)**

Unpaid Taxes

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**Schedule 4.7(g)**

Tax Returns

**Schedule 4.13**

Financial Advisor

CERTIFICATE OF AMENDED AND RESTATED ARTICLES OF INCORPORATION  
OF  
MARIKA INC.

Pursuant to the provisions of Nevada Revised Statutes 78.390 and 78.403, the undersigned officer of Marika Inc., a Nevada corporation, does hereby certify as follows:

A. The board of directors of the corporation (the "Board of Directors") has duly adopted resolutions proposing to amend and restate the articles of incorporation of the corporation as set forth below, declaring such amendment and restatement to be advisable and in the best interests of the corporation.

B. The amendment and restatement of the articles of incorporation as set forth below has been approved by a majority of the voting power of the stockholders of the corporation, which is sufficient for approval thereof.

C. This certificate sets forth the text of the articles of incorporation of the corporation as amended and restated in their entirety to this date as follows:

AMENDED AND RESTATED ARTICLES OF INCORPORATION  
OF  
PIERIS PHARMACEUTICALS, INC.

ARTICLE I

The name of the corporation is Pieris Pharmaceuticals, Inc. (the "Corporation").

ARTICLE II

The Corporation may, from time to time, in the manner provided by law, change the registered agent and registered office within the State of Nevada. The Corporation may also maintain an office or offices for the conduct of its business, either within or without the State of Nevada.

ARTICLE III

The purpose of the Corporation is to engage in any lawful act or activity or carry on any business for which corporations may be organized under the laws of the State of Nevada.

ARTICLE IV

Section 1. Designation and Number of Shares.

(a) The total number of shares of all classes of stock which the Corporation shall have the authority to issue is 310,000,000 shares, consisting of 300,000,000 shares of common stock, par value \$0.001 per share (the "Common Stock"), and 10,000,000 shares of preferred stock, par value \$0.001 per share (the "Preferred Stock").

(b) The number of authorized shares of Common Stock or Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote thereon, voting together as a single class, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock designation.

## Section 2. Preferred Stock.

(a) Shares of Preferred Stock may be issued in one or more series at such time or times and for such consideration as the Board of Directors of the Corporation may determine.

(b) Authority is hereby expressly granted to the Board of Directors to fix from time to time, by resolution or resolutions providing for the establishment and/or issuance of any series of Preferred Stock, the designation and number of the shares of such series and the powers, preferences and rights of such series, and the qualifications, limitations or restrictions thereof, to the fullest extent such authority may be conferred upon the Board of Directors under the laws of the State of Nevada. Without limiting the generality of the foregoing, the resolutions providing for issuance of any series of Preferred Stock may provide that such series shall be superior or rank equally or be junior to the Preferred Stock of any other series to the extent permitted by law.

## Section 3. Common Stock.

(a) Dividends. Dividends may be declared and paid on the Common Stock from funds legally available therefor, if, as and when determined by the Board of Directors in their sole discretion, subject to provisions of law, any provision of these Restated Articles of Incorporation and subject to the relative rights and preferences of any shares of Preferred Stock authorized, issued and outstanding hereunder. The term "Restated Articles of Incorporation" as used herein shall mean these Amended and Restated Articles of Incorporation of the Corporation, as amended from time to time.

(b) Voting. The holders of the Common Stock are entitled to one vote for each share held on each matter properly submitted to the stockholders of the Corporation for their vote; provided, however, that, except as otherwise required by law, holders of Common Stock shall not be entitled to vote on any amendment to these Restated Articles of Incorporation (including any certificate of designation relating to Preferred Stock) that relates solely to the terms of one or more outstanding series of Preferred Stock if the holders of such affected series are entitled to vote thereon, either separately or together as a class with the holders of one or more other such series, as required by law or pursuant to these Restated Articles of Incorporation (including any certificate of designation relating to Preferred Stock).

## ARTICLE V

The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its directors and stockholders:

Section 1. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by law or by these Restated Articles of Incorporation or the Amended and Restated Bylaws of the Corporation as in effect from time to time (the "Bylaws"), the directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

Section 2. The directors of the Corporation need not be elected by written ballot unless the Bylaws so provide.

Section 3. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of stockholders of the Corporation and not by written consent.

Section 4. Special meetings of the stockholders may only be called by the Board of Directors acting pursuant to a resolution adopted by a majority of the Whole Board. For the purposes of these Restated Articles of Incorporation, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. Business transacted at any special meeting of stockholders shall be limited to matters relating to the purpose or purposes stated in the notice of meeting.

## ARTICLE VI

Section 1. Subject to the rights of the holders of shares of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board.

Section 2. The directors, other than those who may be elected by the holders of shares of any series of Preferred Stock under specified circumstances, shall be divided into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders following the initial classification of directors and until their successors are duly elected and qualified, the term of office of the second class to expire at the second annual meeting of stockholders following the initial classification of directors and until their successors are duly elected and qualified, and the term of office of the third class to expire at the third annual meeting of stockholders following the initial classification of directors and until their successors are duly elected and qualified. At each annual meeting of stockholders, directors elected to succeed those directors whose terms expire, other than directors elected by the holders of any series of Preferred Stock under specified circumstances, shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election and until their successors are duly elected and qualified. The Board of Directors is authorized to assign members of the Board already in office to such classes as it may determine at the time the classification of the Board of Directors pursuant to these Restated Articles of Incorporation becomes effective.

Section 3. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office even though less than a quorum, or by a sole remaining director, and not by stockholders, and directors so chosen shall serve for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires and until such director's successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director.

Section 4. Advance notice of stockholder nominations for the election of directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

Section 5. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time only for cause and only by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote at an election of directors, voting together as a single class.

#### ARTICLE VII

The Board of Directors is expressly empowered to adopt, amend or repeal Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; provided, that in addition to the affirmative vote of the holders of any class or series of the shares of capital stock of the Corporation required by law or by these Restated Articles of Incorporation, the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required for the stockholders to adopt, amend or repeal any provision of the Bylaws of the Corporation.

#### ARTICLE VIII

Section 1. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, or trustee of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "Indemnitee"), whether the basis of such action, suit or proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall be indemnified and held harmless by the Corporation to the fullest extent permitted by the laws of the State of Nevada, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that

such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnitee in connection therewith; provided, however, that, except as provided in Section 3 of this Article VIII with respect to proceedings to enforce rights to indemnification or an advancement of expenses or as otherwise required by law, the Corporation shall not be required to indemnify or advance expenses to any such Indemnitee in connection with an action, suit or proceeding (or part thereof) initiated by such Indemnitee unless such action, suit or proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

Section 2. In addition to the right to indemnification conferred in Section 1 of this Article VIII, an Indemnitee shall also have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such action, suit or proceeding in advance of its final disposition; provided, however, that, if the laws of the State of Nevada then requires an advancement of expenses incurred by an Indemnitee in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such Indemnitee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such Indemnitee is not entitled to be indemnified for such expenses under this Section 2.

Section 3. If a claim under Sections 1 or 2 of this Article VIII is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the Indemnitee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnitee shall also be entitled to be paid the expenses of prosecuting or defending such suit. In any suit brought by the Indemnitee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnitee to enforce a right to an advancement of expenses) it shall be a defense that the Indemnitee has not met any applicable standard for indemnification set forth in the laws of the State of Nevada. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that the Indemnitee has not met any applicable standard for indemnification set forth in the laws of the State of Nevada. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnitee is proper in the circumstances because the Indemnitee has met the applicable standard of conduct set forth in the laws of the State of Nevada, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VIII or otherwise shall be on the Corporation.



Section 4. The rights to indemnification and to the advancement of expenses conferred in this Article VIII shall not be exclusive of any other right which any person may otherwise have or hereafter acquire including any right provided by law, these Restated Articles of Incorporation as amended from time to time, the Corporation's Bylaws, as well as by any agreement or any vote of stockholders or directors as permitted by the laws of the State of Nevada.

Section 5. The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of (i) the Corporation or (ii) another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the laws of the State of Nevada.

Section 6. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VIII with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

Section 7. The rights conferred upon Indemnitees in this Article VIII shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent and shall inure to the benefit of the Indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VIII that adversely affects any right of an Indemnitee or its successors shall be prospective only and shall not limit or eliminate any such right with respect to any action, suit or proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to any such amendment, alteration or repeal.

Section 8. If any word, clause, provision or provisions of this Article VIII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article VIII (including, without limitation, each portion of any section of this Article VIII containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article VIII (including, without limitation, each such portion of any section of this Article VIII containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

#### ARTICLE IX

The liability of directors and officers of the Corporation shall be eliminated or limited to the fullest extent permitted by the Nevada Revised Statutes (as amended from time to time, "NRS"). No amendment to or repeal of this Article IX shall apply to or have any effect on the liability or alleged liability of any director for or with respect to any acts or omissions of such

director occurring prior to such amendment or repeal. If the NRS is amended to further eliminate or limit or authorize corporate action further eliminating or limiting the personal liability of directors or officers, then the liability of a director of the Corporation shall be eliminated or limited to the fullest extent permitted by the NRS, as so amended. All references in this Article IX to a director or officer shall also be deemed to refer to any such director acting in his or her capacity as a Continuing Director (as defined in Article XI).

#### ARTICLE X

The Corporation reserves the right to amend or repeal any provision contained in these Restated Articles of Incorporation in the manner prescribed by the laws of the State of Nevada and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that in addition to the affirmative vote of the holders of any class or series of the shares of capital stock of the Corporation required by law or by these Restated Articles of Incorporation, the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to amend, alter or repeal, or adopt any provision inconsistent with, Articles V, VI, VII, VIII, and IX, this Article X, and Articles XI, XII and XIII of these Restated Articles of Incorporation.

#### ARTICLE XI

The Board of Directors is expressly authorized to cause the Corporation to enter into agreements necessary and convenient to the conduct of the business of the Corporation. The Board of Directors is expressly authorized to cause the Corporation to issue rights or options pursuant to NRS 78.200 and, in that connection and to enter into any agreements necessary or convenient for such issuance. Any such agreement may include provisions limiting, in certain circumstances, the ability of the Board of Directors of the Corporation to redeem the securities issued pursuant thereto or to take other action thereunder or in connection therewith unless there is at least a specified number or percentage of Continuing Directors then in office. Pursuant to NRS 78.120 and 78.135, the Continuing Directors shall have the power and authority to make all decisions and determinations and exercise or perform such other acts, which such Continuing Directors shall make, exercise or perform as provided in any such agreement. For purposes of this Article XI and any such agreement, the term, "Continuing Directors," shall mean (1) those directors (i) who were members of the Board of Directors of the Corporation at the time the Corporation entered into such agreement or (ii) who subsequently becomes a member of the Board of Directors, if such director's nomination for election to the Board of Directors is recommended or approved by the majority vote of the Continuing Directors then in office; and (2) such members of the Board of Directors designated in, or in the manner provided in, such agreement as Continuing Directors.

#### ARTICLE XII

Section 1. Exclusive Forum. To the fullest extent permitted by law, and unless the Corporation, pursuant to a resolution adopted by a majority of the Whole Board, consents in writing to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada, shall be the sole and exclusive forum for (a) any derivative action or

proceeding brought in the name or right of the Corporation or on its behalf, (b) any action asserting a claim for breach of any fiduciary duty owed by any director, officer, employee or agent of the Corporation to the Corporation or the Corporation's stockholders, (c) any action arising or asserting a claim arising pursuant to any provision of NRS Chapters 78 or 92A or any provision of these Restated Articles of Incorporation or Bylaws, (d) any action to interpret, apply, enforce or determine the validity of these Restated Articles of Incorporation or Bylaws or (e) any action asserting a claim governed by the internal affairs doctrine.

Section 2. Deemed Notice and Consent. To the fullest extent permitted by law, each and every person purchasing or otherwise acquiring any interest (of any nature whatsoever) in any shares of the capital stock of the Corporation shall be deemed, by reason of and from and after the time of such purchase or other acquisition, to have notice of and to have consented to all of the provisions of (a) the Restated Articles of Incorporation, (b) the Bylaws and (c) any amendment to the Restated Articles of Incorporation or the Bylaws enacted or adopted in accordance with the Restated Articles of Incorporation, the Bylaws and applicable law.

### ARTICLE XIII

In accordance with the provisions of NRS 78.378, the provisions of NRS 78.378 to 78.3793, inclusive, as amended from time to time, or any successor statutes, relating to acquisitions of controlling interests in the Corporation, shall not apply to the Corporation or to any acquisition of any shares of the Corporation's capital stock as permitted by the laws of the State of Nevada.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Amended and Restated Articles of Incorporation of Pieris Pharmaceuticals, Inc..

By: /s/ Aleksandrs Sviks  
Name: Aleksandrs Sviks  
Title: President and Chief Executive Officer

**PIERIS PHARMACEUTICALS, INC.**  
**AMENDED AND RESTATED BYLAWS**

**(effective December 17, 2014)**

*ARTICLE I - STOCKHOLDERS*

*Section 1. Annual Meeting.*

An annual meeting of the stockholders of the Corporation, for the election of directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall fix. The Board of Directors may, in its sole discretion, determine that the meeting shall not be held at any place, but instead shall be held solely by means of remote communication as provided under the Nevada Revised Statutes (as amended from time to time, the "NRS").

*Section 2. Special Meetings.*

Special meetings of the stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board. For the purposes of these Restated Bylaws, the term "Whole Board" shall mean the total number of authorized directors whether or not there exist any vacancies in previously authorized directorships. Special meetings of the stockholders may be held at such place within or without the State of Nevada as may be stated in such resolution. The Board of Directors or the person designated by the Board of Directors to call the meeting may, in its or his sole discretion, determine that the meeting shall not be held at any place, but instead shall be held solely by means of remote communication as provided under the NRS.

*Section 3. Notice of Meetings.*

Notice of the place, if any, date, and time of all meetings of the stockholders, and the means of remote communications, if any, by which the stockholders and proxyholders thereof may be deemed to be present in person and vote at such meeting, shall be given by the Corporation, not less than ten (10) nor more than sixty (60) days before the date on which the meeting is to be held, to each stockholder entitled to vote at such meeting, except as otherwise provided herein or required by law (by law meaning, here and hereinafter, by the NRS and Corporation's Amended and Restated Articles of Incorporation, as amended or restated from time to time (the "Restated Articles of Incorporation")).

When a meeting is adjourned to another place, if any, date or time, notice need not be given of the adjourned meeting if the place, if any, date and time thereof, and the means of remote communications, if any, by which the stockholders and proxyholders thereof may be deemed to be present in person and vote at such adjourned meeting, are announced at the meeting at which the adjournment is taken; provided, however, that (i) if the date of any adjourned meeting is more than thirty (30) days after the date for which the meeting was originally noticed, or (ii) if a new record date is fixed for the adjourned meeting, notice of the place, if any, date, and time of the adjourned meeting, and the means of remote communications, if any, by which the stockholders and proxyholders thereof may be deemed to be present in person and vote at such adjourned meeting, shall be given in conformity with the first paragraph of this Section 3. At any adjourned meeting, any business may be transacted which might have been transacted at the original meeting.

*Section 4. Quorum.*

At any meeting of the stockholders, the holders of a majority of the voting power of all of the shares of capital stock of the Corporation entitled to vote at the meeting, present in person or by proxy, shall constitute a quorum for all purposes, unless or except to the extent that the presence of a larger number may be required by law, by the Restated Articles of Incorporation or by rules of any stock exchange upon which the Corporation's securities are listed. Where a separate vote by a class or classes of the shares of capital stock of the Corporation is required, a majority of the voting power of the shares of such class or classes present in person or represented by proxy shall constitute a quorum entitled to take action with respect to that vote on that matter, unless or except to the extent that the presence of a larger number may be required by law, by the Restated Articles of Incorporation or by rules of any stock exchange upon which the Corporation's securities are listed.

If a quorum shall fail to attend any meeting, the chairman of the meeting may adjourn the meeting to another place, if any, date, or time.

*Section 5. Organization and Conduct of Business.*

The Chairman of the Board of Directors or, in his or her absence, the Chief Executive Officer or, in his or her absence, the President or, in his or her absence, such person as the Board of Directors may have designated, shall call to order any meeting of the stockholders and shall preside at and act as chairman of the meeting. The Secretary shall be the secretary of any meeting of the stockholders. In the absence of the Secretary and any Assistant Secretary, the secretary of the meeting shall be such person as the chairman of the meeting appoints. The chairman of any meeting of the stockholders shall determine the order of business and the procedures at the meeting, including such regulation of the manner of voting and the conduct of discussion as he or she deems to be appropriate. The chairman of any meeting of the stockholders shall have the power to adjourn the meeting to another place, if any, date and time. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

*Section 6. Notice of Stockholder Business and Nominations.*

*A. Annual Meetings of Stockholders.*

Nominations of persons for election to the Board of Directors and the proposal of business to be considered by the stockholders may be made at an annual meeting of the stockholders (a) pursuant to the Corporation's notice of meeting or proxy materials with respect to such meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice thereof who is entitled to vote at the meeting and who complies with the notice procedures set forth in this paragraph C of Section 6.

*B. Special Meetings of Stockholders.*

Only such business, shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the notice of meeting given pursuant to Section 2 above. The notice of such special meeting shall include the purpose for which the meeting is called. Nominations of persons for election to the Board of Directors may be made at a special meeting of the stockholders at which directors are to be elected only (a) by or at the direction of the Board of Directors or (b) if the Board of Directors has determined that directors shall be elected at such meeting, by any stockholder of the Corporation who is a stockholder of record at the time of giving of notice thereof, who shall be entitled to vote at the meeting and who complies with the notice procedures set forth in paragraph C of this Section 6.

*C. Certain Matters Pertaining to Stockholder Business and Nominations.*

(1) For nominations or other business to be properly brought by a stockholder before an annual meeting pursuant to clause (c) of paragraph A of this Section 6 or a special meeting pursuant to paragraph B of this Section 6, (1.) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation, (2.) such other business must otherwise be a proper matter for stockholder action under the NRS, (3.) if the stockholder, or the beneficial owner on whose behalf any such proposal or nomination is made, has provided the Corporation with a Solicitation Notice, as that term is defined in this paragraph C, such stockholder or beneficial owner must, in the case of a proposal, have delivered a proxy statement and form of proxy to holders of a sufficient percentage of the Corporation's voting shares required by law to carry any such proposal, or, in the case of a nomination or nominations, have delivered a proxy statement and form of proxy to holders of a percentage of the Corporation's voting shares reasonably believed by such stockholder or beneficial holder to be sufficient to elect the nominee or nominees proposed to be nominated by such stockholder, and must, in either case, have included in such materials the Solicitation Notice, and (4.) if no Solicitation Notice relating thereto has been timely provided pursuant to paragraph C of this Section 6, the stockholder or beneficial owner proposing such business or nomination must not have solicited a number of proxies sufficient to have required the delivery of such a Solicitation Notice under this Section.

To be timely, a stockholder's notice pertaining to an annual meeting shall be delivered to the Secretary at the principal executive office of the Corporation not less than ninety (90) or more than one-hundred and twenty (120) days prior to the first anniversary (the

“Anniversary”) of the date of the preceding year’s annual meeting; provided, however, that in the event that the date of the annual meeting is more than thirty (30) days before or more than thirty (30) days after the Anniversary, to be timely, notice by the stockholder must be so delivered not earlier than the close of business (at the principal executive office of the Corporation) on the one-hundred and twentieth (120th) day prior to such annual meeting and not later than the close of business on the later of (i) the ninetieth (90th) day prior to such annual meeting or (ii) the close of business on the tenth (10th) day following the day on which public announcement of the date of such meeting is first made by the Corporation. Such stockholder’s notice for an annual meeting or a special meeting shall set forth:

(a) as to each person whom the stockholder proposes to nominate for election or reelection as a director of the Corporation:

(i) all information relating to such person that is required to be disclosed in solicitations of proxies for election of directors, or is otherwise required, in each case, pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) (including such person’s written consent to being named in the proxy statement as a nominee and to serving as a director, if elected);

(ii) a description of all direct and indirect compensation and other material monetary agreements, arrangements and understandings during the past three (3) years, and any other material relationships, between or among such stockholder, the beneficial owner, if any, on whose behalf any such proposal or nomination is being made, and their respective affiliates and associates, on the one hand, and each proposed nominee, and his or her respective affiliates and associates, on the other hand, including, without limitation, all information that would be required to be disclosed pursuant to Item 404 of Regulation S-K promulgated under the Securities Act of 1933, as amended, if such stockholder, such beneficial owner, or any affiliate or associate thereof, were the “registrant” for purposes of such rule and the nominee were a director or executive officer of such registrant;

(iii) to the extent known by the stockholder, the name and address of any other securityholder of the Corporation who owns, beneficially or of record, any securities of the Corporation and who supports any nominee proposed by such stockholder; and

(iv) the questionnaire and the representation and agreement, completed and signed by such person, as required by paragraph D of this Section 6;

(b) as to any other business that the stockholder proposes to bring before the meeting, a brief description of the business desired to be brought before the meeting, including the text of any resolutions proposed for consideration,



the reasons for conducting such business at the meeting, any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made, and to the extent known by the stockholder, the name and address of any other securityholder of the Corporation who owns, beneficially or of record, any securities of the Corporation and who supports any matter such stockholder intends to propose; and

(c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made:

(i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner;

(ii) (A) the class or series and number of shares of the Corporation's capital stock which are, directly or indirectly, owned beneficially and of record by such stockholder and such beneficial owner, (B) any option, warrant, convertible security, stock appreciation right, or similar right with an exercise or conversion privilege or a settlement payment or mechanism at a price related to any class or series of the shares of the Corporation's capital stock or with a value derived in whole or in part from the value of any class or series of the shares of the Corporation's capital stock, whether or not such instrument or right shall be subject to settlement in the underlying class or series of the shares of capital stock of the Corporation (a "Derivative Instrument") directly or indirectly owned beneficially by such stockholder and such beneficial owner as well as any other direct or indirect opportunity for such stockholder and such beneficial owner to profit or share in any profit derived from any increase or decrease in the value of shares of the Corporation, (C) any proxy, contract, arrangement, understanding, or relationship pursuant to which such stockholder has a right to vote any shares of any security of the Corporation, (D) any short interest in any security of the Corporation (for purposes of these Bylaws, a person shall be deemed to have a short interest in a security if such person directly or indirectly, through any contract, arrangement, understanding, relationship or otherwise, has the opportunity to profit or share in any profit derived from any decrease in the value of the subject security), (E) any rights to dividends on the shares of the Corporation owned beneficially by such stockholder that are separated or separable from the underlying shares of the Corporation, (F) any proportionate interest in shares of the Corporation or Derivative Instruments held, directly or indirectly, by a general or limited partnership in which such stockholder or beneficial owner (i) is a general partner or, (ii) directly or indirectly, beneficially owns an interest in such general partner, and (G) any performance-related fees (other than an asset-based fee) that such stockholder or beneficial owner is entitled to based on any increase or decrease in the value of shares of the Corporation or Derivative Instruments as of the date of such notice, including, without limitation, any such interests held by members of such stockholder or beneficial owner's immediate family sharing the same household (which

information shall be supplemented by such stockholder and beneficial owner not later than ten (10) days after the record date for the meeting to disclose such ownership as of the record date; provided, however, that if such date is after the date of the meeting, not later than the day prior to the meeting);

(iii) any other information relating to such stockholder and beneficial owner, if any, that would be required to be disclosed in a proxy statement or other filings required to be made in connection with solicitations of proxies for, as applicable, the proposal and/or for the election of directors in a contested election pursuant to Regulation 14A under the Exchange Act and the rules and regulations promulgated thereunder;

(iv) a description of all agreements, arrangements and understandings between such stockholder and beneficial owner, if any, and any other person or persons (including their names) in connection with the proposal of such business by such stockholder; and

(v) a statement of whether or not either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy, in the case of a proposal, to holders of a sufficient percentage of the Corporation's voting shares required by law to carry the proposal or, in the case of a nomination or nominations, to holders of a sufficient percentage of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "Solicitation Notice").

(2) Notwithstanding anything in the second sentence of paragraph C(1) of this Section 6 to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least fifty-five (55) days prior to the Anniversary (or, if the annual meeting is held more than thirty (30) days before or thirty (30) days after the Anniversary, at least fifty-five (55) days prior to such annual meeting), a stockholder's notice required by this Section 6 shall also be considered timely, but only with respect to nominees for directorships newly created by such increase, and only if it is delivered to the Secretary at the principal executive office of the Corporation not later than the close of business on the tenth (10th) day following the day on which such public announcement is first made by the Corporation.

(3) In the event the Corporation calls a special meeting of the stockholders for the purpose of electing one or more directors to the Board of Directors, any such stockholder may nominate a person or persons (as the case may be), for election to such directorship(s) as specified in the Corporation's notice of meeting, provided, however, that the stockholder's notice required by paragraph C(1) of this Section 6 is delivered to the Secretary at the principal executive office of the Corporation not earlier than the ninetieth (90th) day prior to such special meeting nor later than the close of business on the later of (i) the sixtieth (60th) day prior to such special meeting, or (ii) the tenth (10th) day following the day on which public announcement is first made of the date of the special meeting and of the nominees proposed by the Board of Directors to be elected at such meeting.

*D. General.*

(1) Only such persons who are nominated in accordance with the procedures set forth in this Section 6 shall be eligible to serve as directors of the Corporation and only such business brought before a meeting of the stockholders in accordance with the procedures set forth in this Section 6 shall be conducted at such meeting. Except as otherwise provided by law, the Restated Articles of Incorporation or these Bylaws, the chairman of the meeting shall have the power and duty to determine whether a nomination or any business proposed to be brought before the meeting was made or proposed, as the case may be, in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance herewith, to declare that such defective proposal or nomination shall be disregarded.

(2) For purposes of this Section 6, "public announcement" shall mean disclosure in a press release reported by the Dow Jones News Service, Associated Press or comparable national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission pursuant to Section 13, 14 or 15(d) of the Exchange Act.

(3) Notwithstanding the foregoing provisions of this Section 6, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to the matters set forth herein. Nothing in this Section 6 shall be deemed to affect any rights (i) of the stockholders of the Corporation to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act or (ii) of the holders of any series of Preferred Stock then outstanding to elect directors under specified circumstances.

(4) In addition to the requirements set forth elsewhere in these Bylaws, to be eligible to be a nominee for election or reelection as a director of the Corporation, a person must deliver, in accordance with the time periods prescribed for delivery of notice under Section 6(C) of this Article I, to the Secretary at the principal executive office of the Corporation a completed and signed questionnaire with respect to the background and qualification of such person and the background of any other person or entity on whose behalf the nomination is being made (which questionnaire shall be provided by the Secretary upon written request) and a written representation and agreement (in the form provided by the Secretary upon written request) that such person (i) is not and will not become a party to (A) any agreement, arrangement or understanding with, and has not given any commitment or assurance to, any other person or entity as to how such person, if elected as a director of the Corporation, will act or vote on any issue or question (a "Voting Commitment") that has not been disclosed to the Corporation or (B) any Voting Commitment that could limit or interfere with such person's ability to comply, if elected as a director of the Corporation, with such person's fiduciary duties under applicable law, (ii) is not and will not become a party to any agreement, arrangement or understanding with any other person or entity, other than the Corporation, with respect to any direct or indirect compensation, reimbursement or indemnification in connection with service or action as a director of the Corporation, and (iii) in such person's individual capacity and on behalf of any

other person or entity on whose behalf the nomination is being made, would be in compliance, if elected as a director of the Corporation, and will comply with, applicable law and all applicable publicly disclosed corporate governance, code of conduct and ethics, conflict of interest, corporate opportunities, trading and any other policies and guidelines of the Corporation applicable to directors.

(5) Notwithstanding the foregoing provisions of this Section 6, unless otherwise required by law, if a stockholder of the Corporation (or a qualified representative of the stockholder) does not appear in person at the annual or special meeting of the stockholders of the Corporation to make its nomination or propose any other matter, such nomination shall be disregarded and such other proposed matter shall not be transacted, even if proxies in respect of such vote have been received by the Corporation. For purposes of this Article I, to be considered a “qualified representative” of the stockholder, a person must be (i) a duly authorized officer, manager or partner of such stockholder or (ii) must be authorized by a writing executed by such stockholder or an electronic transmission delivered by such stockholder to act for such stockholder as proxy at the meeting of the stockholders, and such person must produce such writing or electronic transmission, or a reliable reproduction of the writing or electronic transmission, at the commencement of the meeting of the stockholders.

*Section 7. Proxies and Voting.*

At any meeting of the stockholders, every stockholder entitled to vote may vote (i) in person or (ii) by proxy authorized by an instrument, in writing or by a transmission, as permitted by law and the Restated Articles of Incorporation and filed in accordance with the procedure established for the meeting by the chairman of the meeting. Any copy, facsimile telecommunication or other reliable reproduction of the writing or transmission may be substituted or used in lieu of the original writing or transmission for any and all purposes under this Section 7 for which the original writing or transmission could be used, provided, however, that such copy, facsimile telecommunication or other reproduction shall be a complete reproduction of the entire original writing or transmission.

All voting, including on the election of directors but excepting where otherwise required by law, may be by voice vote. Any vote not taken by voice shall be taken by written ballots, each of which shall state the name of the stockholder or proxy voting and such other information as may be required by law, the Restated Articles of Incorporation and the procedure established for the meeting by the chairman of the meeting. The Corporation may, and to the extent required by law, shall, in advance of any meeting of the stockholders, appoint one or more inspectors to act at the meeting and make a written report thereof. The Corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of the stockholders, the person presiding at the meeting may, and to the extent required by law, shall, appoint one or more inspectors to act at the meeting and make a written report thereof. Each inspector, before entering upon the discharge of his duties, shall take and sign an oath to faithfully execute the duties of an inspector with strict impartiality and according to the best of his ability. Every vote taken by written ballots shall be counted by a duly appointed inspector or inspectors.

Except as otherwise provided in the terms of any class or series of Preferred Stock of the Corporation, (i) all elections of directors of the Corporation at any meeting of the stockholders shall be determined by a plurality of the votes cast, and (ii) except as otherwise required by law, these Bylaws, the Restated Articles of Incorporation or the rules of any stock exchange upon which the Corporation's securities are listed, all other matters proposed at any meeting of the stockholders shall be determined by a majority of the votes cast affirmatively or negatively.

*Section 8. Action Without Meeting.*

Any action required or permitted to be taken by the stockholders of the Corporation may be effected only at a duly called annual or special meeting of the stockholders of the Corporation and may not be effected by written consent.

*Section 9. Stock List.*

A complete list of stockholders entitled to vote at any meeting of the stockholders, arranged in alphabetical order for each class or series of the shares of capital stock of the Corporation and showing the address of each such stockholder and the number of shares registered in his or her name, shall be open to the examination of any such stockholder for a period of at least ten (10) days prior to the meeting in the manner provided by law.

The stock list shall also be open to the examination of any stockholder during the whole time of the meeting as provided by law. Such list shall presumptively determine the identity of the stockholders entitled to examine such stock list and to vote at the meeting and the number of shares held by each of them. Any alleged mistake in such list will be examined by the Corporation within thirty (30) days after being notified thereof and any mistake discovered will be corrected by the Corporation in due course, without affecting the aforementioned presumption.

*ARTICLE II - BOARD OF DIRECTORS*

*Section 1. General Powers, Number, Election, Tenure, Qualification and Chairman.*

A. The business and affairs of the Corporation shall be managed by or under the direction of its Board of Directors.

B. Subject to the rights of the holders of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances, the number of directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board.

C. Subject to the rights of the holders of shares of any series of Preferred Stock then outstanding to elect additional directors under specified circumstances, the Board of Directors of the Corporation shall be divided into three classes, with the term of office of the first class to expire at the first annual meeting of the stockholders following the initial classification of directors and until their successors are duly elected and qualified, the term of office of the second class to expire at the second annual meeting of the stockholders following the initial classification of directors and until their successors are duly elected and qualified, and the term of office of the third class to expire at the third annual meeting of the stockholders following the initial classification of directors and until their successors are duly elected and qualified. At each annual meeting of the stockholders, directors elected to succeed those directors whose terms expire, other than directors elected by the holders of any series of Preferred Stock, shall be elected for a term of office to expire at the third succeeding annual meeting of the stockholders after their election and until their successors are duly elected and qualified, and if authorized by a resolution of the Board of Directors, directors may be elected to fill any vacancy on the Board of Directors, regardless of how such vacancy was created.

D. The Chairman of the Board of Directors and any Vice Chairman appointed to act in the absence of the Chairman, if any, shall be elected by and from the Board of Directors. The Chairman shall preside at all meetings of the Board of Directors at which he or she is present and shall have such authority and perform such duties as may be prescribed by these Bylaws or from time to time be determined by the Board of Directors.

*Section 2. Vacancies and Newly Created Directorships.*

Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause shall, unless otherwise required by law, by the Restated Articles of Incorporation or by resolution of the Board of Directors, be filled only by a majority vote of the directors then in office even though less than a quorum, or by a sole remaining director, and not by the stockholders of the Corporation, and directors so chosen shall serve for a term expiring at the annual meeting of the stockholders at which the term of office of the class to which they have been chosen expires and until such director's successor shall have been duly elected and qualified. No decrease in the authorized number of directors shall shorten the term of any incumbent director. In the event of a vacancy in the Board of Directors, the remaining directors, except as otherwise provided by law, the Restated Articles of Incorporation or these Bylaws, may exercise the powers of the full Board of Directors until the vacancy is filled.

*Section 3. Resignation and Removal.*

Any director may resign at any time upon notice given in writing or by electronic transmission to the Corporation at its principal executive office or to the Chairman of the Board, Chief Executive Officer, President or Secretary. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any director, or the entire Board of Directors, may be removed from office at any time only for cause and only by the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote at an election of directors, voting together as a single class.

*Section 4. Regular Meetings.*

Regular meetings of the Board of Directors shall be held at such place or places, or the means of remote communications, if any, on such date or dates, and at such time or times as shall have been established by the Board of Directors and publicized among all directors. A notice of each regular meeting shall not be required.

*Section 5. Special Meetings.*

Special meetings of the Board of Directors may be called by the Chairman of the Board of Directors or the Chief Executive Officer, and shall be called by the Secretary if requested by a majority of the Whole Board, and shall be held at such place, or via the means of remote communications, if any, on such date, and at such time as the Secretary shall reasonably fix. Notice of the place, date, and time of each such special meeting shall be given to each director by whom it is not waived by mailing written notice not less than five (5) days before the meeting or orally, by telegraph, telex, cable, telecopy or electronic transmission given not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

*Section 6. Quorum.*

At any meeting of the Board of Directors, a majority of the Whole Board shall constitute a quorum for all purposes. If a quorum shall fail to attend any meeting, a majority of those present may adjourn the meeting to another place, date, or time, without further notice or waiver thereof.

*Section 7. Action by Consent.*

Unless otherwise restricted by law or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors may be taken without a meeting, if all members of the Board consent thereto in writing or by electronic transmission. Each such writing or electronic transmission shall be filed with the minutes of proceedings of the Board of Directors. 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.

*Section 8. Action by Meeting.*

Members of the Board of Directors or of any committee designated by the Board of Directors may participate in a meeting of the Board of Directors or such committee by any means of electronic or telephonic communications, videoconferencing, teleconferencing or other available technology permitted under the NRS (including, without limitation, a telephone conference or similar method of communication by which all individuals participating in the meeting can hear each other). If any conferencing means are utilized, the Corporation shall, to the extent required under the NRS, implement reasonable measures to (a) verify the identity of each person participating in the conference through such means as a director or member of the committee, as the case may be, and (b) provide the directors or members of the committee a reasonable opportunity to participate in the conference and to vote on matters submitted to the directors or members of the committee, including an opportunity to communicate, and to read or hear the proceedings of the conference in a substantially concurrent manner with such proceedings. Participation in a meeting pursuant to this Section 8 constitutes presence in person at the meeting.

*Section 9. Conduct of Business.*

At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board of Directors may from time to time determine and publicized among all directors, and all matters shall be determined by the vote of a majority of the directors present, except as otherwise provided herein, under the Restated Articles of Incorporation or required by law.

*Section 10. Powers.*

The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (1) To declare distributions (including dividends) from time to time in accordance with law;
- (2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;



- (3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, to borrow funds and guarantee obligations, and to do all things necessary in connection therewith;
- (4) To remove any officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any officer upon any other person for the time being;
- (5) To confer upon any officer of the Corporation the power to appoint, remove and suspend subordinate officers, employees and agents;
- (6) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for directors, officers, employees and agents of the Corporation and its subsidiaries;
- (7) To adopt from time to time such insurance, retirement, and other benefit plans for directors, officers, employees and agents of the Corporation and its subsidiaries; and,
- (8) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs.

*Section 11. Compensation of Directors.*

Unless otherwise restricted by law, the Board of Directors shall have the authority to fix the compensation of the directors. The directors may be paid their expenses, if any, of attendance at each meeting of the Board of Directors and may be paid a fixed sum for attendance at each meeting of the Board of Directors or paid a stated salary or paid other compensation as director. No such payment shall preclude any director from serving the Corporation in any other capacity and receiving compensation therefor. Members of special or standing committees may receive compensation for attending committee meetings.

*ARTICLE III - COMMITTEES*

*Section 1. Committees of the Board of Directors.*

The Board of Directors may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers. For those committees, the Board of Directors may (i) elect a director or directors to serve as the member or members of such committees and may designate other directors as alternate members who may replace any absent or disqualified member of any such committee and (ii) may determine the procedural rules for any such committee's meeting and conducting of business. Any such committee, to the extent provided in the resolution of the Board of Directors, shall have and may exercise all the powers and authority

of the Board of Directors in the management of the business and affairs of the Corporation to the fullest extent authorized by law. In the absence or disqualification of any member of any committee and any alternate member in his or her place, the member or members of the committee present at the meeting and not disqualified from voting, whether or not he or she or they constitute a quorum of such committee, may by unanimous vote appoint another member of the Board of Directors to act in the place of the absent or disqualified member.

*Section 2. Conduct of Business.*

Each committee may determine the procedural rules for meeting and conducting its business and shall act in accordance therewith, except as otherwise determined by the Board of Directors, provided herein or required by law. Adequate provision shall be made for notice to members of all meetings; one-third (1/3) of the members of any committee shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member shall constitute a quorum; and all matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission. Each such writing or electronic transmission shall be filed with the minutes of the proceedings of such 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.

*ARTICLE IV - OFFICERS*

*Section 1. Enumeration.*

The officers of the Corporation shall consist of a Chief Executive Officer, President, Chief Financial Officer, Treasurer, Secretary and such other officers as the Board of Directors or the Chief Executive Officer may determine, including, but not limited to, one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries. The salaries of officers elected by the Board of Directors shall be fixed from time to time by the Board of Directors or by such officers as may be designated by resolution of the Board of Directors.

*Section 2. Election.*

The Chief Executive Officer, President, Chief Financial Officer, Treasurer and the Secretary shall be elected annually by the Board of Directors at their first meeting following the immediately-preceding annual meeting of the stockholders. The Board of Directors or the Chief Executive Officer, may, from time to time, elect or appoint such other officers as it or he or she may determine, including, but not limited to, one or more Vice Presidents, Assistant Treasurers and Assistant Secretaries.

*Section 3. Qualification.*

No officer needs be a director. Two or more offices may be held by any one person.

*Section 4. Tenure and Removal.*

Each officer elected or appointed by the Board of Directors shall hold office until the first meeting of the Board of Directors following the next annual meeting of the stockholders and until his or her successor is elected or appointed and qualified, unless he or she dies, resigns, is removed or becomes disqualified or a shorter term is specified in the vote electing or appointing said officer. Each officer appointed by the Chief Executive Officer shall hold office until his or her successor is elected or appointed and qualified, unless he or she dies, resigns, is removed or becomes disqualified or a shorter term is specified by any agreement or other instrument appointing such officer. Any officer may resign by notice given in writing or by electronic transmission of his or her resignation to the Chief Executive Officer, the President, or the Secretary, or to the Board of Directors at a meeting of the Board. Such resignation shall be effective upon receipt unless it is specified to be effective at some other time or upon the happening of some other event. Any officer elected or appointed by the Board of Directors may be removed from office with or without cause only by vote of a majority of the directors then in office even though less than a quorum or by a sole remaining director. Any officer appointed by the Chief Executive Officer may be removed with or without cause by the Chief Executive Officer, or by vote of a majority of the directors then in office even though less than a quorum, or by a sole remaining director.

*Section 5. Chief Executive Officer.*

The Chief Executive Officer shall be the chief executive officer of the Corporation and shall, subject to the direction of the Board of Directors, have the responsibility for the general management and control of the business and affairs of the Corporation. Unless otherwise provided by resolution of the Board of Directors, in the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the stockholders and, if the Chief Executive Officer is a director, at all meetings of the Board of Directors. The Chief Executive Officer shall have general supervision and direction of all of the other officers, employees and agents of the Corporation, other than the Chairman of the Board or any Vice Chairman. The Chief Executive Officer shall have the power and authority to determine the duties of all officers, employees and agents of the Corporation and determine the compensation of any officers (except those whose compensation is established by the Board of Directors), employees and agents. The Chief Executive Officer is expressly authorized to sign all stock certificates, contracts and other instruments for and on behalf of the Corporation unless otherwise directed by the Board of Directors.

*Section 6. President.*

Except for meetings at which the Chief Executive Officer or the Chairman of the Board, if any, presides, the President shall, if present, preside at all meetings of the stockholders, and if a director, at all meetings of the Board of Directors. The President shall, subject to the control and direction of the Chief Executive Officer and the Board of Directors, have and perform such powers and duties as may be prescribed by these Bylaws or from time to time be determined by the Chief Executive Officer or the Board of Directors. The President shall have power to sign all

stock certificates, contracts and other instruments for and on behalf of the Corporation to the extent authorized by the Board of Directors. In the absence of a Chief Executive Officer, the President shall be the chief executive officer of the Corporation and shall, subject to the direction of the Board of Directors, have responsibility for the general management and control of the business and affairs of the Corporation, have general supervision and direction of all of the officers, employees and agents of the Corporation, other than the Chairman of the Board or any Vice Chairman, and have all other powers and duties of the Chief Executive Officer as set forth in this Article IV.

*Section 7. Vice Presidents.*

The Vice Presidents, if any, in the order of their election (if otherwise directed by the Board of Directors or the Chief Executive Officer, in such other order as the Board of Directors or the Chief Executive Officer may determine), shall have the powers and duties of the President as set forth in this Article IV whenever the President is absent or unable to act. The Vice Presidents, if any, shall also have such other powers and duties as may from time to time be determined by the Board of Directors or the Chief Executive Officer.

*Section 8. Chief Financial Officer, Treasurer and Assistant Treasurers.*

The Chief Financial Officer shall, subject to the control and direction of the Board of Directors and the Chief Executive Officer, be the chief financial officer of the Corporation and shall have and perform such powers and duties as may be prescribed in these Bylaws or be determined from time to time by the Board of Directors and the Chief Executive Officer. All property of the Corporation in the custody of the Chief Financial Officer shall be subject at all times to the inspection and control of the Board of Directors and the Chief Executive Officer. The Chief Financial Officer shall have the responsibility for maintaining the financial records of the Corporation. The Chief Financial Officer shall make such disbursements of the funds of the Corporation to the extent authorized by law, the Restated Articles of Incorporation and the Board of Directors and shall render from time to time an account of all such transactions and of the financial condition of the Corporation whenever requested by the Board of Directors or the Chief Executive Officer. Unless the Board of Directors has designated another person as the Corporation's Treasurer, the Chief Financial Officer shall also be the Treasurer. Unless otherwise directed by the Board of Directors, the Treasurer (if different than the Chief Financial Officer) and each Assistant Treasurer (whenever the Treasurer is absent or unable to act and in such other order as the Board of Directors or the Chief Executive Officer may determine), if any, shall have and perform the powers and duties of the Chief Financial Officer whenever the Chief Financial Officer is absent or unable to act, and may at any time exercise such of the powers of the Chief Financial Officer.

*Section 9. Secretaries.*

Unless otherwise directed by the Board of Directors, the Secretary and, in his or her absence, an Assistant Secretary, shall attend all meetings of the directors and the stockholders and shall record all votes of the Board of Directors and stockholders and produce minutes of the proceedings

at such meetings. The Secretary and, in his or her absence, an Assistant Secretary, shall notify the directors and the stockholders of their meetings, and shall also have such other powers and duties as may from time to time be determined by the Board of Directors. In the absence of the Secretary and any Assistant Secretary at any meeting of directors or stockholders, a temporary secretary may be appointed by the chairman of that meeting.

*Section 10. Action with Respect to Securities of Other Corporations.*

Unless otherwise directed by the Board of Directors, the Chief Executive Officer or the President is expressly authorized to (i) vote for and on behalf of the Corporation, in person or by proxy, at any meeting of the stockholders of any other corporation, in which this Corporation holds securities and (ii) exercise any and all other rights and powers, which this Corporation possesses by reason of its ownership of securities in such other corporation, for and on behalf of this Corporation, in person or by proxy.

*ARTICLE V - STOCK*

*Section 1. Certificated and Uncertificated Stock.*

(a) The shares of the Corporation's capital stock may be certificated or uncertificated, as provided under the NRS, and shall be entered in the books of the Corporation and registered as they are issued. Any certificates representing shares of stock shall be in such form as the Board of Directors shall prescribe and shall certify the number and class and series of the shares of capital stock of the Corporation owned by the stockholder. Any certificates issued to a stockholder of the Corporation shall bear the name of the Corporation and shall be signed by the Chairman of the Board of Directors, or the President or a Vice President, and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary. Any or all of the signatures on the certificate may be by facsimile. In the event that any officer who has signed, or whose facsimile signatures has been used on any certificate or certificates for stock cease to be an officer because of death, resignation or other reason, before the certificate or certificates for stock have been delivered by the Corporation, the certificate or certificates may nevertheless be adopted by the Corporation and be issued and delivered as though the person who signed the certificate or certificates, or whose facsimile signature has been used thereon, had not ceased to be an officer of the Corporation.

(b) Within a reasonable time after the issuance or transfer of uncertificated shares, the Corporation shall send to the registered owner thereof a written statement certifying the number and class (and the designation of the series, if any) of the shares owned by such stockholder in the Corporation and any restrictions on the transfer or registration of such shares imposed by the Restated Articles of Incorporation, these Bylaws, any agreement among stockholders or any agreement between the stockholders and the Corporation, and, at least annually thereafter, the Corporation shall provide to such stockholders of record holding uncertificated shares, a written statement confirming the information contained in such written statement previously sent. Except as otherwise expressly provided by the NRS, the rights and obligations of the stockholders of the Corporation shall be identical whether or not their shares of stock are represented by certificates.

*Section 2. Transfers of Stock.*

Transfers of shares of capital stock of the Corporation shall be made only (i) by entering upon the stock-transfer books of the Corporation or (ii) by transfer agents designated to transfer shares of capital stock of the Corporation. Except where a certificate is issued in accordance with Section 4 of this Article V or in the case of uncertificated shares, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

*Section 3. Record Date.*

With respect to notice (i) of any meeting of the stockholders, or (ii) for the stockholders to receive payment of any dividend or other distribution or allotment of any rights or (iii) for the stockholders to exercise any rights in respect of any change, conversion or exchange of the shares of the Corporation's capital stock or (iv) for any other lawful purpose, the Board of Directors may fix a record date, provided, however, that such record date (a) shall not precede the date on which the resolution fixing the record date is adopted and (b) shall not be more than sixty (60) nor less than ten (10) days before the date of any meeting of the stockholders, nor more than sixty (60) days prior to the time for such other action as hereinbefore described (receiving payments and exercising rights by the stockholders). If the Board of Directors so fixes a date, such date shall also be the record date for determining the stockholders of record entitled to vote at such meeting, unless the Board of Directors at the time it fixes such record date directs that a later date on or before the date of the meeting shall be the date for making such determination. If no record date is fixed by the Board of Directors, (i) the record date for determining stockholders of record entitled to notice of and to vote at a meeting of the stockholders shall be at the close of business on the day immediately preceding the day on which notice is given or, if notice is waived, at the close of business on the day immediately preceding the day on which the meeting is held, and, (ii) the record date, for determining stockholders of record entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of the shares of the Corporation's capital stock or for any other purpose, shall be at the close of business on the day on which the Board of Directors adopts a resolution relating thereto.

A determination of stockholders of record entitled to notice of or to vote at a meeting of the stockholders shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for determination of the stockholders of record entitled to vote at the adjourned meeting, and in such case shall also fix as the record date for the stockholders of record entitled to notice of such adjourned meeting the same or an earlier date as that fixed for determination of the stockholders of record entitled to vote in accordance with the foregoing provisions of this Section 3 at the adjourned meeting.

*Section 4. Lost, Stolen or Destroyed Certificates.*

In the event of the loss, theft or destruction of any certificate of shares of capital stock of the Corporation, the Corporation may issue a new certificate of shares of capital stock or uncertificated

shares in place of any certificate previously issued by the Corporation pursuant to such regulations as the Board of Directors may establish concerning proof of such loss, theft or destruction and pledging of a satisfactory bond or bonds of indemnity.

*Section 5. Regulations.*

The issue, transfer, conversion and registration of certificates of the shares of capital stock shall be governed by these Bylaws and such other regulations as the Board of Directors may establish.

*ARTICLE VI - NOTICES*

*Section 1. Notices.*

If mailed, notice to the stockholders shall be deemed given when deposited in the mail, postage prepaid, directed to the stockholder at such stockholder's address as it appears on the records of the Corporation. Without limiting the manner by which notice otherwise may be given effectively to the stockholders as permitted by law, any notice to the stockholders may be given by electronic transmission in the manner permitted under NRS 78.370 and NRS Chapter 75.

*Section 2. Waiver of Notice.*

A written waiver of any notice, signed by a stockholder or director, or waiver by electronic transmission by such person or entity, whether before or after the time of the event for which notice is to be given, shall be deemed equivalent to the notice required to be given to such person or entity. Neither the business nor the purpose of any meeting need be specified in such a waiver. Attendance at any meeting shall constitute waiver of notice, except for attendance for the express purpose of objecting, at the beginning of the meeting, to the election or the transaction of business at such meeting because the meeting is not lawfully called or convened.

*ARTICLE VII - INDEMNIFICATION OF DIRECTORS AND OFFICERS*

*Section 1. Right to Indemnification.*

Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including, without limitation, as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or an officer of the Corporation or is or was serving at the request of the Corporation as a director, officer, or trustee of another corporation, or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "Indemnitee"), whether the basis of such action, suit or proceeding is alleged action in an official capacity as a director, officer or trustee or in any other capacity while serving as a director, officer or trustee, shall

be indemnified and held harmless by the Corporation to the fullest extent permitted by law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such Indemnatee in connection therewith; provided, however, that, except as provided in Section 3 of this Article VII with respect to proceedings to enforce rights to indemnification or an advancement of expenses or as otherwise required by law, the Corporation shall not be required to indemnify or advance expenses to any such Indemnatee in connection with an action, suit or proceeding (or part thereof) initiated by such Indemnatee unless such action, suit or proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

*Section 2. Right to Advancement of Expenses.*

In addition to the right to indemnification conferred in Section 1 of this Article, an Indemnatee shall also have the right to be paid by the Corporation the expenses (including attorney's fees) incurred in defending any such proceeding in advance of its final disposition; provided, however, that, if the NRS then requires, an advancement of expenses incurred by an Indemnatee in his capacity as a director or officer (and not in any other capacity in which service was or is rendered by such Indemnatee, including, without limitation, service to an employee benefit plan) shall be made only upon delivery to the Corporation of an undertaking, by or on behalf of such Indemnatee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal that such Indemnatee is not entitled to be indemnified for such expenses under this Section 2.

*Section 3. Right of Indemnitees to Bring Suit.*

If a claim under Section 1 or 2 of this Article VII is not paid in full by the Corporation within sixty (60) days after a written claim has been received by the Corporation, except in the case of a claim for an advancement of expenses, in which case the applicable period shall be twenty (20) days, the Indemnatee may at any time thereafter bring suit against the Corporation to recover the unpaid amount of the claim. If successful in whole or in part in any such suit, or in a suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Indemnatee shall also be entitled to be paid the expenses of prosecuting or defending such suit. In any suit brought by the Indemnatee to enforce a right to indemnification hereunder (but not in a suit brought by the Indemnatee to enforce a right to an advancement of expenses) it shall be a defense that the Indemnatee has not met any applicable standard for indemnification set forth in the NRS. In any suit brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the Corporation shall be entitled to recover such expenses upon a final adjudication that, the Indemnatee has not met any applicable standard for indemnification set forth in the NRS. Neither the failure of the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) to have made a determination prior to the commencement of such suit that indemnification of the Indemnatee is proper in the circumstances because the Indemnatee has met the applicable standard of conduct set



forth in the NRS, nor an actual determination by the Corporation (including its directors who are not parties to such action, a committee of such directors, independent legal counsel, or its stockholders) that the Indemnitee has not met such applicable standard of conduct, shall create a presumption that the Indemnitee has not met the applicable standard of conduct or, in the case of such a suit brought by the Indemnitee, be a defense to such suit. In any suit brought by the Indemnitee to enforce a right to indemnification or to an advancement of expenses hereunder, or brought by the Corporation to recover an advancement of expenses pursuant to the terms of an undertaking, the burden of proving that the Indemnitee is not entitled to be indemnified, or to such advancement of expenses, under this Article VII or otherwise shall be on the Corporation.

*Section 4. Non-Exclusivity of Rights.*

The rights to indemnification and to the advancement of expenses conferred in this Article IV shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Restated Certificate of Incorporation as amended from time to time, these Bylaws, any agreement, any vote of stockholders or directors as permitted by the NRS or otherwise.

*Section 5. Insurance.*

The Corporation may maintain insurance, at its expense, to protect itself and any director, officer, employee or agent of (i) the Corporation or (ii) another corporation, partnership, joint venture, trust or other enterprise, against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the NRS.

*Section 6. Indemnity Agreements.*

The Corporation may enter into indemnity agreements from time to time (i) with the persons who are members of its Board of Directors, (ii) with such officers, employees and agents of the Corporation and (iii) with such officers, directors, employees and agents of subsidiaries or affiliates of the Corporation. Such indemnity agreements may provide in substance that the Corporation will indemnify such persons to the full extent as contemplated by this Article VII or permitted by law and the Restated Articles of Incorporation, and may include any other substantive or procedural provisions regarding indemnification as are not inconsistent with the laws of the State of Nevada. The provisions of such indemnity agreements shall prevail to the extent that they limit or condition or differ from the provisions of this Article VII.

*Section 7. Indemnification of Employees and Agents of the Corporation.*

The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article VII with respect to the indemnification and advancement of expenses of directors and officers of the Corporation.

*Section 8. Nature of Rights.*

The rights conferred upon Indemnitees in this Article VII shall be contract rights and such rights shall continue as to an Indemnitee who has ceased to be a director, officer, employee, agent or trustee and shall inure to the benefit of the Indemnitee's heirs, executors and administrators. Any amendment, alteration or repeal of this Article VII that adversely affects any right of an Indemnitee or its successors shall be prospective only and shall not limit, eliminate, or impair any such right with respect to any action, suit or proceeding involving any occurrence or alleged occurrence of any action or omission to act that took place prior to such amendment, alteration or repeal.

*Section 9. Severability.*

If any word, clause, provision or provisions of this Article VII shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Article VII (including, without limitation, each portion of any section of this Article containing any such provision held to be invalid, illegal or unenforceable, that is not itself held to be invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby; and (ii) to the fullest extent possible, the provisions of this Article VII (including, without limitation, each such portion of any section of this Article VII containing any such provision held to be invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested by the provision held invalid, illegal or unenforceable.

*ARTICLE VIII - CERTAIN TRANSACTIONS*

*Section 1. Transactions with Interested Parties.*

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 its directors or officers are directors or officers, or have a financial interest, shall be void or voidable (i) solely for this reason, or (ii) 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 (iii) solely because the votes of such director or officer are counted for such purpose, if:

(a) The material facts as to his or her relationship or interest and as to the contract or transaction are disclosed to 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

(b) The material facts as to his or her 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

(c) 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.

*Section 2. Quorum.*

Interested directors or stockholders, as applicable, may be counted in determining the presence of a quorum (i) at the meeting of the Board of Directors or of a committee which authorizes the contract or transaction, or (ii) at the meeting of the stockholders which approves the contract or transaction.

*ARTICLE IX - MISCELLANEOUS*

*Section 1. Facsimile Signatures.*

In addition to the provisions specifically authorizing use of facsimile signatures in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors or a committee thereof.

*Section 2. Corporate Seal.*

The Board of Directors may provide a suitable seal, containing the name of the Corporation, which seal shall be in the charge of the Secretary. If and when so directed by the Board of Directors or a committee thereof, duplicates of the seal may be kept and used by the Treasurer or by an Assistant Secretary or Assistant Treasurer.

*Section 3. Reliance upon Books, Reports and Records.*

Without limitation of any provision of the NRS (including NRS 78.138), each director of the Corporation, each member of any committee designated by the Board of Directors, and each officer of the Corporation shall, in the performance of his or her duties, be entitled to rely, and be fully protected in relying upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its agents, officers or employees, or committees of the Board of Directors, or by any other person as to matters which such director, committee member or officer reasonably believes are within such other person's professional or expert competence, but a director or officer is not entitled to rely on such information, opinions, reports, books of account or statements if the director or officer has knowledge concerning the matter in question that would cause reliance thereon to be unwarranted.

*Section 4. Fiscal Year.*

Except as otherwise determined by the Board of Directors from time to time, the fiscal year of the Corporation shall end on the last day of December of that year.

*Section 5. Time Periods.*

In applying any provision of these Bylaws which requires that an act be done or not be done during a period of a specified number of days prior and/or following an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

*Section 6. Pronouns.*

Whenever the context may require, any pronouns used in these Bylaws shall include the corresponding masculine, feminine or neuter forms.

*Section 7. Interpretation.*

The Board of Directors shall have the power to interpret all of the terms and provisions of these Bylaws, which interpretation shall be conclusive.

*ARTICLE XI - AMENDMENTS*

In furtherance and not in limitation of the powers conferred by law and the Restated Articles of Incorporation, the Board of Directors is expressly authorized to adopt, amend and repeal these Bylaws, but subject to the power of the holders of the shares of capital stock of the Corporation to adopt, amend or repeal these Bylaws; provided, however, that, with respect to the power of such holders, notwithstanding any other provision of these Bylaws or any provision of the NRS which might otherwise permit a lesser vote or no vote, and in addition to the affirmative vote of the holders of any class or series of the shares of capital stock of the Corporation required by law, the Restated Articles of Incorporation, these Bylaws or any Preferred Stock, the affirmative vote of the holders of at least eighty percent (80%) of the voting power of all of the then outstanding shares of capital stock of the Corporation entitled to vote generally in the election of directors, voting together as a single class, shall be required to adopt, amend or repeal any provision of these Bylaws.

NOT VALID UNLESS COUNTERSIGNED BY TRANSFER AGENT  
INCORPORATED UNDER THE LAWS OF THE STATE OF NEVADA

CUSIP No. 720795 10 3

# PIERIS PHARMACEUTICALS, INC.



AUTHORIZED COMMON STOCK: 300,000,000 SHARES  
PAR VALUE: \$0.001

THIS CERTIFIES THAT

## SPECIMEN

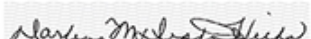
IS THE RECORD HOLDER OF

— Shares of Pieris Pharmaceuticals, Inc. Common Stock —

transferable on the books of the Corporation in person or by duly authorized attorney upon surrender of this Certificate properly endorsed. This Certificate is not valid until countersigned by the Transfer Agent and registered by the Registrar.

Witness the facsimile seal of the Corporation and the facsimile signatures of its duly authorized officers.

Dated: \_\_\_\_\_

  
TREASURER



  
PRESIDENT

Countersigned & Registered: Globex Transfer, LLC  
(813) 344-4490

By \_\_\_\_\_  
Authorized Signature

**NOTICE:** Signature must be guaranteed by a firm which is a member of a registered national stock exchange, or by a bank (other than a savings bank), or a trust company. The following abbreviations, when used in the inscription on the face of this certificate, shall be construed as though they were written out in full according to applicable laws or regulations.

**TEN COM** — as tenants in common  
**TEN ENT** — as tenants by the entireties  
**JT TEN** — as joint tenants with right of survivorship and not as tenants in common

**UNIF GIFT MIN ACT** — Custodian  
(Cust) (Minor)  
under Uniform Gifts to Minors  
Act.....  
(State)

Additional abbreviations may also be used though not in the above list.

For Value Received, \_\_\_\_\_ hereby sell, assign and transfer unto

PLEASE INSERT SOCIAL SECURITY OR OTHER  
IDENTIFYING NUMBER OF ASSIGNEE

\_\_\_\_\_  
(PLEASE PRINT OR TYPEWRITE NAME AND ADDRESS, INCLUDING ZIP CODE, OR ASSIGNEE)

\_\_\_\_\_  
Shares  
of the capital stock represented by the within certificate, and do hereby irrevocably  
constitute and appoint

\_\_\_\_\_  
Attorney  
to transfer the said stock on the books of the within named Corporation with full power  
of substitution in the premises.

Dated \_\_\_\_\_

**NOTICE:** THE SIGNATURE TO THIS ASSIGNMENT MUST CORRESPOND WITH THE NAME AS WRITTEN UPON THE FACE OF THE  
CERTIFICATE IN EVERY PARTICULAR WITHOUT ALTERATION OR ENLARGEMENT OR ANY CHANGE WHATSOEVER.

**NOTICE OF SIGNATURE GUARANTEE:**

THE SIGNATURE(S) MUST BE GUARANTEED BY AN ELIGIBLE FINANCIAL  
INSTITUTION WITH MEMBERSHIP IN AN APPROVED SIGNATURE  
MEDALLION GUARANTEE PROGRAM PURSUANT TO SEC RULE 17AD-15.  
APPROVED PROGRAMS INCLUDE: New York Stock Exchange, Inc.  
Medallion Signature Program; Stock Exchanges Medallion Program;  
Securities Transfer Agents Medallion Program

\*\*\*FOR MEDALLION GUARANTEE USE ONLY\*\*\*

## PIERIS PHARMACEUTICALS, INC.

## 2014 EMPLOYEE, DIRECTOR AND CONSULTANT EQUITY INCENTIVE PLAN

## 1. DEFINITIONS.

Unless otherwise specified or unless the context otherwise requires, the following terms, as used in this Pieris Pharmaceuticals, Inc. 2014 Employee, Director and Consultant Equity Incentive Plan, have the following meanings:

Administrator means the Board of Directors, unless it has delegated power to act on its behalf to the Committee, in which case the term "Administrator" means the Committee.

Affiliate means a corporation which, for purposes of Section 424 of the Code, is a parent or subsidiary of the Company, direct or indirect.

Agreement means an agreement between the Company and a Participant delivered pursuant to the Plan and pertaining to a Stock Right, in such form as the Administrator shall approve.

Board of Directors means the Board of Directors of the Company.

Cause means, with respect to a Participant (a) dishonesty with respect to the Company or any Affiliate, (b) insubordination, substantial malfeasance or non-feasance of duty, (c) unauthorized disclosure of confidential information, (d) breach by a Participant of any provision of any employment, consulting, advisory, nondisclosure, non-competition or similar agreement between the Participant and the Company or any Affiliate, and (e) conduct substantially prejudicial to the business of the Company or any Affiliate; provided, however, that any provision in an agreement between a Participant and the Company or an Affiliate, which contains a conflicting definition of Cause for termination and which is in effect at the time of such termination, shall supersede this definition with respect to that Participant. The determination of the Administrator as to the existence of Cause will be conclusive on the Participant and the Company.

Code means the United States Internal Revenue Code of 1986, as amended including any successor statute, regulation and guidance thereto.

Committee means the committee of the Board of Directors, if any, to which the Board of Directors has delegated power to act under or pursuant to the provisions of the Plan.

Common Stock means shares of the Company's common stock, \$0.001 par value per share.

Company means Pieris Pharmaceuticals, Inc., a Nevada corporation.

Consultant means any natural person who is an advisor or consultant that provides bona fide services to the Company or its Affiliates, provided that such services are not in connection with the offer or sale of securities in a capital raising transaction, and do not directly or indirectly promote or maintain a market for the Company's or its Affiliates' securities.

Disability or Disabled means permanent and total disability as defined in Section 22(e)(3) of the Code.

Director means a member of the Board of Directors.

Employee means any employee of the Company or of an Affiliate (including, without limitation, an employee who is also serving as an officer or Director of the Company or of an Affiliate), designated by the Administrator to be eligible to be granted one or more Stock Rights under the Plan.

Exchange Act means the Securities Exchange Act of 1934, as amended.

Fair Market Value of a Share of Common Stock means:

(1) If the Common Stock is listed on a national securities exchange or traded in the over-the-counter market and sales prices are regularly reported for the Common Stock, the closing or, if not applicable, the last price of the Common Stock on the composite tape or other comparable reporting system for the trading day on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date;

(2) If the Common Stock is not traded on a national securities exchange but is traded on the over-the-counter market, if sales prices are not regularly reported for the Common Stock for the trading day referred to in clause (1), and if bid and asked prices for the Common Stock are regularly reported, the mean between the bid and the asked price for the Common Stock at the close of trading in the over-the-counter market for the trading day on which Common Stock was traded on the applicable date and if such applicable date is not a trading day, the last market trading day prior to such date; and

(3) If the Common Stock is neither listed on a national securities exchange nor traded in the over-the-counter market, such value as the Administrator, in good faith, shall determine.

ISO means an option intended to qualify as an incentive stock option under Section 422 of the Code.

Non-Qualified Option means an option which is not intended to qualify as an ISO.

Option means an ISO or Non-Qualified Option granted under the Plan.



Participant means an Employee, Director or Consultant of the Company or an Affiliate to whom one or more Stock Rights are granted under the Plan. As used herein, "Participant" shall include "Participant's Survivors" where the context requires.

Plan means this Pieris Pharmaceuticals, Inc. 2014 Employee, Director and Consultant Equity Incentive Plan.

Securities Act means the Securities Act of 1933, as amended.

Shares means shares of the Common Stock as to which Stock Rights have been or may be granted under the Plan or any shares of capital stock into which the Shares are changed or for which they are exchanged within the provisions of Paragraph 3 of the Plan. The Shares issued under the Plan may be authorized and unissued shares or shares held by the Company in its treasury, or both.

Stock-Based Award means a grant by the Company under the Plan of an equity award or an equity based award which is not an Option or a Stock Grant.

Stock Grant means a grant by the Company of Shares under the Plan.

Stock Right means a right to Shares or the value of Shares of the Company granted pursuant to the Plan — an ISO, a Non-Qualified Option, a Stock Grant or a Stock-Based Award.

Survivor means a deceased Participant's legal representatives and/or any person or persons who acquired the Participant's rights to a Stock Right by will or by the laws of descent and distribution.

## 2. **PURPOSES OF THE PLAN.**

The Plan is intended to encourage ownership of Shares by Employees and Directors of and certain Consultants to the Company and its Affiliates in order to attract and retain such people, to induce them to work for the benefit of the Company or of an Affiliate and to provide additional incentive for them to promote the success of the Company or of an Affiliate. The Plan provides for the granting of ISOs, Non-Qualified Options, Stock Grants and Stock-Based Awards.

## 3. **SHARES SUBJECT TO THE PLAN.**

(a) The number of Shares which may be issued from time to time pursuant to this Plan shall be 3,200,000, or the equivalent of such number of Shares after the Administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with Paragraph 23 of the Plan.

(b) Notwithstanding Subparagraph (a) above, on the first day of each fiscal year of the Company during the period beginning in fiscal year 2016, and ending on the second day of fiscal year 2024, the number of Shares that may be issued from time to time pursuant to the Plan, shall be increased by an amount equal to the lesser of (i) 1,000,000 Shares or the equivalent of such number of Shares after the Administrator, in its sole discretion, has interpreted the effect of any stock split, stock dividend, combination, recapitalization or similar transaction in accordance with Paragraph 23 of the Plan; (ii) 4% of the number of outstanding shares of Common Stock on such date; and (iii) an amount determined by the Board.

(c) If an Option ceases to be "outstanding", in whole or in part (other than by exercise), or if the Company shall reacquire (at not more than its original issuance price) any Shares issued pursuant to a Stock Grant or Stock-Based Award, or if any Stock Right expires or is forfeited, cancelled, or otherwise terminated or results in any Shares not being issued, the unissued or reacquired Shares which were subject to such Stock Right shall again be available for issuance from time to time pursuant to this Plan. Notwithstanding the foregoing, if a Stock Right is exercised, in whole or in part, by tender of Shares or if the Company or an Affiliate's tax withholding obligation is satisfied by withholding Shares, the number of Shares deemed to have been issued under the Plan for purposes of the limitation set forth in Paragraph 3(a) above shall be the number of Shares that were subject to the Stock Right or portion thereof, and not the net number of Shares actually issued. However, in the case of ISOs, the foregoing provisions shall be subject to any limitations under the Code.

#### **4. ADMINISTRATION OF THE PLAN.**

The Administrator of the Plan will be the Board of Directors, except to the extent the Board of Directors delegates its authority to the Committee, in which case the Committee shall be the Administrator. Subject to the provisions of the Plan, the Administrator is authorized to:

(a) Interpret the provisions of the Plan and all Stock Rights and to make all rules and determinations which it deems necessary or advisable for the administration of the Plan;

(b) Determine which Employees, Directors and Consultants shall be granted Stock Rights;

(c) Determine the number of Shares for which a Stock Right or Stock Rights shall be granted, provided, however, that in no event shall Stock Rights with respect to more than 1,500,000 Shares be granted to any Participant in any fiscal year;

(d) Specify the terms and conditions upon which a Stock Right or Stock Rights may be granted;

(e) Amend any term or condition of any outstanding Stock Right, including, without limitation, to reduce or increase the exercise price or purchase price, accelerate the vesting schedule or extend the expiration date, provided that (i) such term or condition as amended is permitted by the Plan; (ii) any such amendment shall not impair the rights of a Participant under any Stock Right previously granted without such Participant's consent or in the event of death of

the Participant the Participant's Survivors; and (iii) any such amendment shall be made only after the Administrator determines whether such amendment would cause any adverse tax consequences to the Participant, including, but not limited to, the annual vesting limitation contained in Section 422(d) of the Code and described in Paragraph 6(b)(iv) below with respect to ISOs and pursuant to Section 409A of the Code;

(f) Buy out for a payment in cash or Shares, a Stock Right previously granted and/or cancel any such Stock Right and grant in substitution therefor other Stock Rights, covering the same or a different number of Shares and having an exercise price or purchase price per share which may be lower or higher than the exercise price or purchase price of the cancelled Stock Right, based on such terms and conditions as the Administrator shall establish and the Participant shall accept; and

(g) Adopt any sub-plans applicable to residents of any specified jurisdiction as it deems necessary or appropriate in order to comply with or take advantage of any tax or other laws applicable to the Company, any Affiliate or to Participants or to otherwise facilitate the administration of the Plan, which sub-plans may include additional restrictions or conditions applicable to Stock Rights or Shares issuable pursuant to a Stock Right;

provided, however, that all such interpretations, rules, determinations, terms and conditions shall be made and prescribed in the context of not causing any adverse tax consequences under Section 409A of the Code and preserving the tax status under Section 422 of the Code of those Options which are designated as ISOs. Subject to the foregoing, the interpretation and construction by the Administrator of any provisions of the Plan or of any Stock Right granted under it shall be final, unless otherwise determined by the Board of Directors, if the Administrator is the Committee. In addition, if the Administrator is the Committee, the Board of Directors may take any action under the Plan that would otherwise be the responsibility of the Committee.

To the extent permitted under applicable law, the Board of Directors or the Committee may allocate all or any portion of its responsibilities and powers to any one or more of its members and may delegate all or any portion of its responsibilities and powers to any other person selected by it. The Board of Directors or the Committee may revoke any such allocation or delegation at any time. Notwithstanding the foregoing, only the Board of Directors or the Committee shall be authorized to grant a Stock Right to any Director of the Company or to any "officer" of the Company as defined by Rule 16a-1 under the Exchange Act.

#### **5. ELIGIBILITY FOR PARTICIPATION.**

The Administrator will, in its sole discretion, name the Participants in the Plan; provided, however, that each Participant must be an Employee, Director or Consultant of the Company or of an Affiliate at the time a Stock Right is granted. Notwithstanding the foregoing, the Administrator may authorize the grant of a Stock Right to a person not then an Employee, Director or Consultant of the Company or of an Affiliate; provided, however, that the actual grant of such Stock Right shall be conditioned upon such person becoming eligible to become a Participant at or prior to the time of the execution of the Agreement evidencing such Stock Right. ISOs may be granted only to Employees who are deemed to be residents of the United

States for tax purposes. Non-Qualified Options, Stock Grants and Stock-Based Awards may be granted to any Employee, Director or Consultant of the Company or an Affiliate. The granting of any Stock Right to any individual shall neither entitle that individual to, nor disqualify him or her from, participation in any other grant of Stock Rights or any grant under any other benefit plan established by the Company or any Affiliate for Employees, Directors or Consultants.

#### 6. TERMS AND CONDITIONS OF OPTIONS.

Each Option shall be set forth in writing in an Option Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Administrator may provide that Options be granted subject to such terms and conditions, consistent with the terms and conditions specifically required under this Plan, as the Administrator may deem appropriate including, without limitation, subsequent approval by the stockholders of the Company of this Plan or any amendments thereto. The Option Agreements shall be subject to at least the following terms and conditions:

(a) Non-Qualified Options: Each Option intended to be a Non-Qualified Option shall be subject to the terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards for any such Non-Qualified Option:

- (i) Exercise Price: Each Option Agreement shall state the exercise price (per share) of the Shares covered by each Option, which exercise price shall be determined by the Administrator and shall be at least equal to the Fair Market Value per share of Common Stock on the date of grant of the Option.
- (ii) Number of Shares: Each Option Agreement shall state the number of Shares to which it pertains.
- (iii) Option Periods: Each Option Agreement shall state the date or dates on which it first is exercisable and the date after which it may no longer be exercised, and may provide that the Option rights accrue or become exercisable in installments over a period of months or years, or upon the occurrence of certain conditions or the attainment of stated goals or events.
- (iv) Option Conditions: Exercise of any Option may be conditioned upon the Participant's execution of a Share purchase agreement in form satisfactory to the Administrator providing for certain protections for the Company and its other stockholders, including requirements that:
  - A. *The Participant's or the Participant's Survivors' right to sell or transfer the Shares may be restricted; and*
  - B. *The Participant or the Participant's Survivors may be required to execute letters of investment intent and must also acknowledge that the Shares will bear legends noting any applicable restrictions.*
- (v) Term of Option: Each Option shall terminate not more than ten years from the date of the grant or at such earlier time as the Option Agreement may provide.

(b) ISOs: Each Option intended to be an ISO shall be issued only to an Employee who is deemed to be a resident of the United States for tax purposes, and shall be subject to the following terms and conditions, with such additional restrictions or changes as the Administrator determines are appropriate but not in conflict with Section 422 of the Code and relevant regulations and rulings of the Internal Revenue Service:

- (i) Minimum standards: The ISO shall meet the minimum standards required of Non-Qualified Options, as described in Paragraph 6(a) above, except clause (i) and (v) thereunder.
- (ii) Exercise Price: Immediately before the ISO is granted, if the Participant owns, directly or by reason of the applicable attribution rules in Section 424(d) of the Code:
  - A. 10% or less of the total combined voting power of all classes of stock of the Company or an Affiliate, the exercise price per share of the Shares covered by each ISO shall not be less than 100% of the Fair Market Value per share of the Common Stock on the date of grant of the Option; or
  - B. More than 10% of the total combined voting power of all classes of stock of the Company or an Affiliate, the exercise price per share of the Shares covered by each ISO shall not be less than 110% of the Fair Market Value per share of the Common Stock on the date of grant of the Option.
- (iii) Term of Option: For Participants who own:
  - A. 10% or less of the total combined voting power of all classes of stock of the Company or an Affiliate, each ISO shall terminate not more than ten years from the date of the grant or at such earlier time as the Option Agreement may provide; or
  - B. More than 10% of the total combined voting power of all classes of stock of the Company or an Affiliate, each ISO shall terminate not more than five years from the date of the grant or at such earlier time as the Option Agreement may provide.
- (iv) Limitation on Yearly Exercise: The Option Agreements shall restrict the amount of ISOs which may become exercisable in any calendar year (under this or any other ISO plan of the Company or an Affiliate) so that the aggregate Fair Market Value (determined on the date each ISO is granted) of the stock with respect to which ISOs are exercisable for the first time by the Participant in any calendar year does not exceed \$100,000.

**7. TERMS AND CONDITIONS OF STOCK GRANTS.**

Each Stock Grant to a Participant shall state the principal terms in a Stock Grant Agreement duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Stock Grant Agreement shall be in a form approved by the Administrator and shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company, subject to the following minimum standards:

(a) Each Stock Grant Agreement shall state the purchase price per share, if any, of the Shares covered by each Stock Grant, which purchase price shall be determined by the Administrator but shall not be less than the minimum consideration required by the Nevada Revised Statutes, if any, on the date of the grant of the Stock Grant;

(b) Each Stock Grant Agreement shall state the number of Shares to which the Stock Grant pertains; and

(c) Each Stock Grant Agreement shall include the terms of any right of the Company to restrict or reacquire the Shares subject to the Stock Grant, including the time and events upon which such rights shall accrue and the purchase price therefor, if any.

**8. TERMS AND CONDITIONS OF OTHER STOCK-BASED AWARDS.**

The Administrator shall have the right to grant other Stock-Based Awards based upon the Common Stock having such terms and conditions as the Administrator may determine, including, without limitation, the grant of Shares based upon certain conditions, the grant of securities convertible into Shares and the grant of stock appreciation rights, phantom stock awards or stock units. The principal terms of each Stock-Based Award shall be set forth in a Stock Award Agreement, duly executed by the Company and, to the extent required by law or requested by the Company, by the Participant. The Stock Award Agreement shall be in a form approved by the Administrator and shall contain terms and conditions which the Administrator determines to be appropriate and in the best interest of the Company.

The Company intends that the Plan and any Stock-Based Awards granted hereunder be exempt from the application of Section 409A of the Code or meet the requirements of paragraphs (2), (3) and (4) of subsection (a) of Section 409A of the Code, to the extent applicable, and be operated in accordance with Section 409A so that any compensation deferred under any Stock-Based Award (and applicable investment earnings) shall not be included in income under Section 409A of the Code. Any ambiguities in the Plan shall be construed to effect the intent as described in this Paragraph 8.

**9. EXERCISE OF OPTIONS AND ISSUE OF SHARES.**

An Option (or any part or installment thereof) shall be exercised by giving written notice to the Company or its designee (in a form acceptable to the Administrator, which may include

electronic notice), together with provision for payment of the aggregate exercise price in accordance with this Paragraph for the Shares as to which the Option is being exercised, and upon compliance with any other condition(s) set forth in the Option Agreement. Such notice shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Administrator), shall state the number of Shares with respect to which the Option is being exercised and shall contain any representation required by the Plan or the Option Agreement. Payment of the exercise price for the Shares as to which such Option is being exercised shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock held for at least six months (if required to avoid negative accounting treatment) having a Fair Market Value equal as of the date of the exercise to the aggregate cash exercise price for the number of Shares as to which the Option is being exercised, or (c) at the discretion of the Administrator, by having the Company retain from the Shares otherwise issuable upon exercise of the Option, a number of Shares having a Fair Market Value equal as of the date of exercise to the aggregate exercise price for the number of Shares as to which the Option is being exercised, or (d) at the discretion of the Administrator, in accordance with a cashless exercise program established with a securities brokerage firm, and approved by the Administrator, or (e) at the discretion of the Administrator, by any combination of (a), (b), (c) and (d) above or (g) at the discretion of the Administrator, by payment of such other lawful consideration as the Administrator may determine. Notwithstanding the foregoing, the Administrator shall accept only such payment on exercise of an ISO as is permitted by Section 422 of the Code.

The Company shall then reasonably promptly deliver the Shares as to which such Option was exercised to the Participant (or to the Participant's Survivors, as the case may be). In determining what constitutes "reasonably promptly," it is expressly understood that the issuance and delivery of the Shares may be delayed by the Company in order to comply with any law or regulation (including, without limitation, state securities or "blue sky" laws) which requires the Company to take any action with respect to the Shares prior to their issuance. The Shares shall, upon delivery, be fully paid, non-assessable Shares.

**10. PAYMENT IN CONNECTION WITH THE ISSUANCE OF STOCK GRANTS AND STOCK-BASED AWARDS AND ISSUE OF SHARES.**

Any Stock Grant or Stock-Based Award requiring payment of a purchase price for the Shares as to which such Stock Grant or Stock-Based Award is being granted shall be made (a) in United States dollars in cash or by check, or (b) at the discretion of the Administrator, through delivery of shares of Common Stock held for at least six months (if required to avoid negative accounting treatment) and having a Fair Market Value equal as of the date of payment to the purchase price of the Stock Grant or Stock-Based Award, or (c) at the discretion of the Administrator, by any combination of (a) and (b) above; or (c) at the discretion of the Administrator, by payment of such other lawful consideration as the Administrator may determine.

The Company shall when required by the applicable Agreement, reasonably promptly deliver the Shares as to which such Stock Grant or Stock-Based Award was made to the Participant (or to the Participant's Survivors, as the case may be), subject to any escrow

provision set forth in the applicable Agreement. In determining what constitutes “reasonably promptly,” it is expressly understood that the issuance and delivery of the Shares may be delayed by the Company in order to comply with any law or regulation (including, without limitation, state securities or “blue sky” laws) which requires the Company to take any action with respect to the Shares prior to their issuance.

**11. RIGHTS AS A STOCKHOLDER.**

No Participant to whom a Stock Right has been granted shall have rights as a stockholder with respect to any Shares covered by such Stock Right except after due exercise of an Option or issuance of Shares as set forth in any Agreement, tender of the aggregate exercise or purchase price, if any, for the Shares being purchased and registration of the Shares in the Company’s share register in the name of the Participant.

**12. ASSIGNABILITY AND TRANSFERABILITY OF STOCK RIGHTS.**

By its terms, a Stock Right granted to a Participant shall not be transferable by the Participant other than (i) by will or by the laws of descent and distribution, or (ii) as approved by the Administrator in its discretion and set forth in the applicable Agreement provided that no Stock Right may be transferred by a Participant for value. Notwithstanding the foregoing, an ISO transferred except in compliance with clause (i) above shall no longer qualify as an ISO. The designation of a beneficiary of a Stock Right by a Participant, with the prior approval of the Administrator and in such form as the Administrator shall prescribe, shall not be deemed a transfer prohibited by this Paragraph. Except as provided above during the Participant’s lifetime a Stock Right shall only be exercisable by or issued to such Participant (or his or her legal representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of any Stock Right or of any rights granted thereunder contrary to the provisions of this Plan, or the levy of any attachment or similar process upon a Stock Right, shall be null and void.

**13. EFFECT ON OPTIONS OF TERMINATION OF SERVICE OTHER THAN FOR CAUSE OR DEATH OR DISABILITY.**

Except as otherwise provided in a Participant’s Option Agreement, in the event of a termination of service (whether as an Employee, Director or Consultant) with the Company or an Affiliate before the Participant has exercised an Option, the following rules apply:

(a) A Participant who ceases to be an Employee, Director or Consultant of the Company or of an Affiliate (for any reason other than termination for Cause, Disability, or death for which events there are special rules in Paragraphs 14, 15, and 16, respectively), may exercise any Option granted to him or her to the extent that the Option is exercisable on the date of such termination of service, but only within such term as the Administrator has designated in a Participant’s Option Agreement.



(b) Except as provided in Subparagraph (c) below, or Paragraph 15 or 16, in no event may an Option intended to be an ISO, be exercised later than three months after the Participant's termination of employment.

(c) The provisions of this Paragraph, and not the provisions of Paragraph 15 or 16, shall apply to a Participant who subsequently becomes Disabled or dies after the termination of employment, director status or consultancy; provided, however, in the case of a Participant's Disability or death within three months after the termination of employment, director status or consultancy, the Participant or the Participant's Survivors may exercise the Option within one year after the date of the Participant's termination of service, but in no event after the date of expiration of the term of the Option.

(d) Notwithstanding anything herein to the contrary, if subsequent to a Participant's termination of employment, termination of director status or termination of consultancy, but prior to the exercise of an Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then such Participant shall forthwith cease to have any right to exercise any Option.

(e) A Participant to whom an Option has been granted under the Plan who is absent from the Company or an Affiliate because of temporary disability (any disability other than a Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such Participant's employment, director status or consultancy with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide; provided, however, that, for ISOs, any leave of absence granted by the Administrator of greater than ninety days, unless pursuant to a contract or statute that guarantees the right to reemployment, shall cause such ISO to become a Non-Qualified Option on the 181<sup>st</sup> day following such leave of absence.

(f) Except as required by law or as set forth in a Participant's Option Agreement, Options granted under the Plan shall not be affected by any change of a Participant's status within or among the Company and any Affiliates, so long as the Participant continues to be an Employee, director or Consultant of the Company or any Affiliate.

#### **14. EFFECT ON OPTIONS OF TERMINATION OF SERVICE FOR CAUSE.**

Except as otherwise provided in a Participant's Option Agreement, the following rules apply if the Participant's service (whether as an Employee, director or Consultant) with the Company or an Affiliate is terminated for Cause prior to the time that all his or her outstanding Options have been exercised:

(a) All outstanding and unexercised Options as of the time the Participant is notified his or her service is terminated for Cause will immediately be forfeited.

(b) Cause is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of Cause occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service

but prior to the exercise of an Option, that either prior or subsequent to the Participant's termination the Participant engaged in conduct which would constitute Cause, then the right to exercise any Option is forfeited.

**15. EFFECT ON OPTIONS OF TERMINATION OF SERVICE FOR DISABILITY.**

Except as otherwise provided in a Participant's Option Agreement:

(a) A Participant who ceases to be an Employee, director or Consultant of the Company or of an Affiliate by reason of Disability may exercise any Option granted to such Participant:

- (i) To the extent that the Option has become exercisable but has not been exercised on the date of the Participant's termination of service due to Disability; and
- (ii) In the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

(b) A Disabled Participant may exercise the Option only within the period ending one year after the date of the Participant's termination of service due to Disability, notwithstanding that the Participant might have been able to exercise the Option as to some or all of the Shares on a later date if the Participant had not been terminated due to Disability and had continued to be an Employee, director or Consultant or, if earlier, within the originally prescribed term of the Option.

(c) The Administrator shall make the determination both of whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

**16. EFFECT ON OPTIONS OF DEATH WHILE AN EMPLOYEE, DIRECTOR OR CONSULTANT.**

Except as otherwise provided in a Participant's Option Agreement:

(a) In the event of the death of a Participant while the Participant is an Employee, director or Consultant of the Company or of an Affiliate, such Option may be exercised by the Participant's Survivors:

- (i) To the extent that the Option has become exercisable but has not been exercised on the date of death; and
- (ii) In the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of death of any additional vesting rights that would have accrued on the next vesting date had the Participant not died. The proration shall be based upon the number of days accrued in the current vesting period prior to the Participant's date of death.

(b) If the Participant's Survivors wish to exercise the Option, they must take all necessary steps to exercise the Option within one year after the date of death of such Participant, notwithstanding that the decedent might have been able to exercise the Option as to some or all of the Shares on a later date if he or she had not died and had continued to be an Employee, director or Consultant or, if earlier, within the originally prescribed term of the Option.

**17. EFFECT OF TERMINATION OF SERVICE ON STOCK GRANTS AND STOCK-BASED AWARDS.**

For purposes of this Paragraph 17, a Participant to whom a Stock Grant or Stock-Based Award has been issued under the Plan who is absent from work with the Company or with an Affiliate because of temporary disability (any disability other than a Disability as defined in Paragraph 1 hereof), or who is on leave of absence for any purpose, shall not, during the period of any such absence, be deemed, by virtue of such absence alone, to have terminated such Participant's employment, director status or consultancy with the Company or with an Affiliate, except as the Administrator may otherwise expressly provide.

In addition, for purposes of this Paragraph 17 any change of employment or other service within or among the Company and any Affiliates shall not be treated as a termination of employment, director status or consultancy so long as the Participant continues to be an Employee, Director or Consultant of the Company or any Affiliate.

Except as otherwise provided in a Participant's Agreement, in the event of a termination of service for any reason (whether as an Employee, Director or Consultant), other than termination for Cause, death or Disability for which there are special rules in Paragraphs 19, 20, and 22 below, before all forfeiture provisions or Company rights of repurchase shall have lapsed, then the Company shall have the right to cancel or repurchase that number of Shares subject to a Stock Grant or Stock-Based Award as to which the Company's forfeiture or repurchase rights have not lapsed.

**18. EFFECT ON STOCK GRANTS AND STOCK-BASED AWARDS OF TERMINATION OF SERVICE FOR CAUSE.**

Except as otherwise provided in a Participant's respective Stock Grant Agreement or Stock Award Agreement, the following rules apply if the Participant's service (whether as an Employee, Director or Consultant) with the Company or an Affiliate is terminated for Cause:

(a) All Shares subject to any Stock Grant or Stock-Based Award that remain subject to forfeiture provisions or as to which the Company shall have a repurchase right shall be immediately forfeited to the Company as of the time the Participant is notified his or her service is terminated for Cause.

(b) Cause is not limited to events which have occurred prior to a Participant's termination of service, nor is it necessary that the Administrator's finding of Cause occur prior to termination. If the Administrator determines, subsequent to a Participant's termination of service, that either prior or subsequent to the Participant's termination the Participant engaged in conduct which would constitute Cause, then all Shares subject to any Stock Grant or Stock-Based Award that remained subject to forfeiture provisions or as to which the Company had a repurchase right on the date of termination shall be immediately forfeited to the Company.

**19. EFFECT ON STOCK GRANTS AND STOCK-BASED AWARDS OF TERMINATION OF SERVICE FOR DISABILITY.**

Except as otherwise provided in a Participant's respective Stock Grant Agreement or Stock Award Agreement, the following rules apply if a Participant ceases to be an Employee, Director or Consultant of the Company or of an Affiliate by reason of Disability: to the extent the forfeiture provisions or the Company's rights of repurchase have not lapsed on the date of Disability, they shall be exercisable; provided, however, that in the event such forfeiture provisions or rights of repurchase lapse periodically, such provisions or rights shall lapse to the extent of a pro rata portion of the Shares subject to such Stock Grant or Stock-Based Award through the date of Disability as would have lapsed had the Participant not become Disabled. The proration shall be based upon the number of days accrued prior to the date of Disability.

The Administrator shall make the determination both as to whether Disability has occurred and the date of its occurrence (unless a procedure for such determination is set forth in another agreement between the Company and such Participant, in which case such procedure shall be used for such determination). If requested, the Participant shall be examined by a physician selected or approved by the Administrator, the cost of which examination shall be paid for by the Company.

**20. EFFECT ON STOCK GRANTS AND STOCK-BASED AWARDS OF DEATH WHILE AN EMPLOYEE, DIRECTOR OR CONSULTANT.**

Except as otherwise provided in a Participant's Stock Grant Agreement, the following rules apply in the event of the death of a Participant while the Participant is an Employee, Director or Consultant of the Company or of an Affiliate: to the extent the forfeiture provisions or the Company's rights of repurchase have not lapsed on the date of death, they shall be exercisable; provided, however, that in the event such forfeiture provisions or rights of

repurchase lapse periodically, such provisions or rights shall lapse to the extent of a pro rata portion of the Shares subject to such Stock Grant through the date of death as would have lapsed had the Participant not died. The proration shall be based upon the number of days accrued prior to the Participant's date of death.

#### **21. PURCHASE FOR INVESTMENT.**

Unless the offering and sale of the Shares shall have been effectively registered under the Securities Act, the Company shall be under no obligation to issue Shares under the Plan unless and until the following conditions have been fulfilled:

(a) The person who receives a Stock Right shall warrant to the Company, prior to the receipt of Shares, that such person is acquiring such Shares for his or her own account, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person acquiring such Shares shall be bound by the provisions of the following legend (or a legend in substantially similar form) which shall be endorsed upon the certificate evidencing the Shares issued pursuant to such exercise or such grant or award:

“The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws.”

(b) At the discretion of the Administrator, the Company shall have received an opinion of its counsel that the Shares may be issued in compliance with the Securities Act without registration thereunder.

#### **22. DISSOLUTION OR LIQUIDATION OF THE COMPANY.**

Upon the dissolution or liquidation of the Company, all Options granted under this Plan which as of such date shall not have been exercised and all Stock Grants and Stock-Based Awards which have not been accepted, to the extent required under the applicable Agreement, will terminate and become null and void; provided, however, that if the rights of a Participant or a Participant's Survivors have not otherwise terminated and expired, the Participant or the Participant's Survivors will have the right immediately prior to such dissolution or liquidation to exercise or accept any Stock Right to the extent that the Stock Right is exercisable or subject to acceptance as of the date immediately prior to such dissolution or liquidation. Upon the dissolution or liquidation of the Company, any outstanding Stock-Based Awards shall immediately terminate unless otherwise determined by the Administrator or specifically provided in the applicable Agreement.

### 23. ADJUSTMENTS.

Upon the occurrence of any of the following events, a Participant's rights with respect to any Stock Right granted to him or her hereunder shall be adjusted as hereinafter provided, unless otherwise specifically provided in a Participant's respective Agreement:

(a) Stock Dividends and Stock Splits. If (i) the shares of Common Stock shall be subdivided or combined into a greater or smaller number of shares or if the Company shall issue any shares of Common Stock as a stock dividend on its outstanding Common Stock, 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, each Stock Right and the number of shares of Common Stock deliverable thereunder shall be appropriately increased or decreased proportionately, and appropriate adjustments shall be made including, in the exercise or purchase price per share, to reflect such events. The number of Shares subject to the limitations in Paragraph 3(a), 3(b) and 4(c) shall also be proportionately adjusted upon the occurrence of such events.

(b) Corporate Transactions. If the Company is to be consolidated with or acquired by another entity in a merger, consolidation, or sale of all or substantially all of the Company's assets other than a transaction to merely change the state of incorporation (a "Corporate Transaction"), the Administrator or the board of directors of any entity assuming the obligations of the Company hereunder (the "Successor Board"), shall, as to outstanding Options, either (i) make appropriate provision for the continuation of such Options by substituting on an equitable basis for the Shares then subject to such Options with the securities of any successor or acquiring entity; or (ii) upon written notice to the Participants, provide that such Options must be exercised (either (A) to the extent then exercisable or, (B) at the discretion of the Administrator, any such Options being made partially or fully exercisable for purposes of this Subparagraph), within a specified number of days of the date of such notice, at the end of which period such Options which have not been exercised shall terminate; or (iii) terminate such Options in exchange for payment of an amount equal to the (a) consideration or (b) securities of any successor or acquiring entity or any combination of (a) or (b) payable upon consummation of such Corporate Transaction to a holder of the same number of shares of Common Stock as the number of Shares into which such Option would have been exercisable (either (A) to the extent then exercisable or, (B) at the discretion of the Administrator, any such Options being made partially or fully exercisable for purposes of this Subparagraph) less the aggregate exercise price thereof. For purposes of determining the payments to be made pursuant to Subclause (iii) above, in the case of a Corporate Transaction the consideration for which, in whole or in part, is other than cash, the consideration other than cash shall be valued at the fair value thereof as determined in good faith by the Board of Directors.

With respect to outstanding Stock Grants and Stock-Based Awards, the Administrator or the Successor Board, shall make appropriate provision for the continuation of such Stock Grants and Stock-Based Award on the same terms and conditions by substituting on an equitable basis for the Shares then subject to such Stock Grants or Stock-Based Award with the securities of any successor or acquiring entity. In lieu of the foregoing, in connection with any Corporate Transaction, the Administrator may provide that, upon consummation of the Corporate Transaction, each outstanding Stock Grant or Stock-Based Award shall be terminated in

exchange for payment of an amount equal to the (a) consideration or (b) securities of any successor or acquiring entity or any combination of (a) or (b) payable upon consummation of such Corporate Transaction to a holder of the same number of shares of Common Stock as the number of Shares then subject to such Stock Grant or Stock-Based Award (to the extent such Stock Grant or Stock-Based Award is no longer subject to any forfeiture or repurchase rights then in effect or, at the discretion of the Administrator, all forfeiture and repurchase rights being waived upon such Corporate Transaction) less the purchase price thereof, if any.

In taking any of the actions permitted under this Paragraph 23(b), the Administrator shall not be obligated by the Plan to treat all Stock Rights, all Stock Rights held by a Participant, or all Stock Rights of the same type, identically, as long as in compliance with terms under this Paragraph 23(b).

(c) Recapitalization or Reorganization. In the event of a recapitalization or reorganization of the Company other than a Corporate Transaction pursuant to which securities of the Company or of another corporation are issued with respect to the outstanding shares of Common Stock, a Participant upon exercising an Option or accepting a Stock Grant after the recapitalization or reorganization shall be entitled to receive for the price paid upon such exercise or acceptance if any, the number of replacement securities which would have been received if such Option had been exercised.

(d) Adjustments to Stock-Based Awards. Upon the happening of any of the events described in Subparagraphs (a), (b) or (c) above, any outstanding Stock-Based Award shall be appropriately adjusted to reflect the events described in such Subparagraphs. The Administrator or the Successor Board shall determine the specific adjustments to be made under this Paragraph 24, including, but not limited to the effect of any, Corporate Transaction and, subject to Paragraph 4, its determination shall be conclusive.

(e) Modification of Options. Notwithstanding the foregoing, any adjustments made pursuant to Subparagraph (a), (b) or (c) above with respect to Options shall be made only after the Administrator determines whether such adjustments would (i) constitute a “modification” of any ISOs (as that term is defined in Section 424(h) of the Code) or (ii) cause any adverse tax consequences for the holders of Options, including, but not limited to, pursuant to Section 409A of the Code. If the Administrator determines that such adjustments made with respect to Options would constitute a modification or other adverse tax consequence, it may refrain from making such adjustments, unless the holder of an Option specifically agrees in writing that such adjustment be made and such writing indicates that the holder has full knowledge of the consequences of such “modification” on his or her income tax treatment with respect to the Option. This paragraph shall not apply to the acceleration of the vesting of any ISO that would cause any portion of the ISO to violate the annual vesting limitation contained in Section 422(d) of the Code, as described in Paragraph 6(b)(iv).

#### **24. ISSUANCES OF SECURITIES.**

Except as expressly provided herein, no issuance by the Company of shares of stock of any class, or securities convertible into shares of stock of any class, shall affect, and no

adjustment by reason thereof shall be made with respect to, the number or price of shares subject to Stock Rights. Except as expressly provided herein, no adjustments shall be made for dividends paid in cash or in property (including without limitation, securities) of the Company prior to any issuance of Shares pursuant to a Stock Right.

**25. FRACTIONAL SHARES.**

No fractional shares shall be issued under the Plan and the person exercising a Stock Right shall receive from the Company cash in lieu of such fractional shares equal to the Fair Market Value thereof.

**26. CONVERSION OF ISOS INTO NON-QUALIFIED OPTIONS; TERMINATION OF ISOS.**

The Administrator, at the written request of any Participant, may in its discretion take such actions as may be necessary to convert such Participant's ISOs (or any portions thereof) that have not been exercised on the date of conversion into Non-Qualified Options at any time prior to the expiration of such ISOs, regardless of whether the Participant is an Employee of the Company or an Affiliate at the time of such conversion. At the time of such conversion, the Administrator (with the consent of the Participant) may impose such conditions on the exercise of the resulting Non-Qualified Options as the Administrator in its discretion may determine, provided that such conditions shall not be inconsistent with this Plan. Nothing in the Plan shall be deemed to give any Participant the right to have such Participant's ISOs converted into Non-Qualified Options, and no such conversion shall occur until and unless the Administrator takes appropriate action. The Administrator, with the consent of the Participant, may also terminate any portion of any ISO that has not been exercised at the time of such conversion.

**27. WITHHOLDING.**

In the event that any federal, state, or local income taxes, employment taxes, Federal Insurance Contributions Act ("F.I.C.A.") withholdings or other amounts are required by applicable law or governmental regulation to be withheld from the Participant's salary, wages or other remuneration in connection with the issuance of a Stock Right or Shares under the Plan or for any other reason required by law, the Company may withhold from the Participant's compensation, if any, or may require that the Participant advance in cash to the Company, or to any Affiliate of the Company which employs or employed the Participant, the statutory minimum amount of such withholdings unless a different withholding arrangement, including the use of shares of the Company's Common Stock or a promissory note, is authorized by the Administrator (and permitted by law). For purposes hereof, the fair market value of the shares withheld for purposes of payroll withholding shall be determined in the manner set forth under the definition of Fair Market Value provided in Paragraph 1 above, as of the most recent practicable date prior to the date of exercise. If the Fair Market Value of the shares withheld is less than the amount of payroll withholdings required, the Participant may be required to advance the difference in cash to the Company or the Affiliate employer. The Administrator in its discretion may condition the exercise of an Option for less than the then Fair Market Value on the Participant's payment of such additional withholding.



**28. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION.**

Each Employee who receives an ISO must agree to notify the Company in writing immediately after the Employee makes a Disqualifying Disposition of any Shares acquired pursuant to the exercise of an ISO. A Disqualifying Disposition is defined in Section 424(c) of the Code and includes any disposition (including any sale or gift) of such Shares before the later of (a) two years after the date the Employee was granted the ISO, or (b) one year after the date the Employee acquired Shares by exercising the ISO, except as otherwise provided in Section 424(c) of the Code. If the Employee has died before such Shares are sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

**29. TERMINATION OF THE PLAN.**

The Plan will terminate on December 17, 2024, the date which is ten years from the earlier of the date of its adoption by the Board of Directors and the date of its approval by the stockholders of the Company. The Plan may be terminated at an earlier date by vote of the stockholders or the Board of Directors of the Company; provided, however, that any such earlier termination shall not affect any Agreements executed prior to the effective date of such termination. Termination of the Plan shall not affect any Stock Rights theretofore granted.

**30. AMENDMENT OF THE PLAN AND AGREEMENTS.**

The Plan may be amended by the Administrator, including, without limitation, to the extent necessary to qualify any or all outstanding Stock Rights granted under the Plan or Stock Rights to be granted under the Plan for favorable federal income tax treatment as may be afforded incentive stock options under Section 422 of the Code (including deferral of taxation upon exercise), and to the extent necessary to qualify the Shares issuable under the Plan for listing on any national securities exchange or quotation in any national automated quotation system of securities dealers. Any amendment approved by the Administrator which the Administrator determines is of a scope that requires stockholder approval shall be subject to obtaining such stockholder approval. Any modification or amendment of the Plan shall not, without the consent of a Participant, adversely affect his or her rights under a Stock Right previously granted to him or her. With the consent of the Participant affected, the Administrator may amend outstanding Agreements referred herein in a manner which may be adverse to the Participant but which is not inconsistent with the Plan. In the discretion of the Administrator, outstanding Agreements referred herein may be amended by the Administrator in a manner which is not adverse to the Participant.

**31. EMPLOYMENT OR OTHER RELATIONSHIP.**

Nothing in this Plan or any Agreement referred herein shall be deemed to prevent the Company or an Affiliate from terminating the employment, consultancy or director status of a Participant, nor to prevent a Participant from terminating his or her own employment, consultancy or director status or to give any Participant a right to be retained in employment or other service by the Company or any Affiliate for any period of time.

**32. GOVERNING LAW.**

This Plan shall be construed and enforced in accordance with the law of the State of Nevada, without giving effect to the conflict of law principles thereof.

**PIERIS PHARMACEUTICALS, INC.**

**Stock Option Grant Notice**

Stock Option Grant under the Company's  
2014 Employee, Director and Consultant Equity Incentive Plan

- 1. Name and Address of Participant: \_\_\_\_\_  
\_\_\_\_\_
- 2. Date of Option Grant: \_\_\_\_\_
- 3. Type of Grant: \_\_\_\_\_
- 4. Maximum Number of Shares for which this Option is exercisable: \_\_\_\_\_
- 5. Exercise (purchase) price per share: \_\_\_\_\_
- 6. Option Expiration Date: \_\_\_\_\_
- 7. Vesting Start Date: \_\_\_\_\_
- 8. Vesting Schedule: This Option shall become exercisable (and the Shares issued upon exercise shall be vested) as follows provided the Participant is an Employee, director or Consultant of the Company or of an Affiliate on the applicable vesting date:

**[Insert Vesting Schedule]**

**Notwithstanding the foregoing, unless otherwise approved by the Administrator in its sole discretion, the Option shall only be exercised from and after the date the Company has filed a Form S-8 registration statement with the U.S. Securities and Exchange Commission covering the Shares authorized under the Plan and if this Option is exercised in whole or in part prior to June \_\_, 2015 the Shares issued upon such exercise shall not be transferred or sold until after such date unless otherwise approved by the Administrator in its sole discretion.**

The foregoing rights are cumulative and are subject to the other terms and conditions of this Agreement and the Plan.

The Company and the Participant acknowledge receipt of this Stock Option Grant Notice and agree to the terms of the Stock Option Agreement attached hereto and incorporated by reference herein, the Company's 2014 Employee, Director and Consultant Equity Incentive Plan and the terms of this Option Grant as set forth above.

**PIERIS PHARMACEUTICALS, INC.**

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

\_\_\_\_\_  
Participant

**PIERIS PHARMACEUTICALS, INC.**

**STOCK OPTION AGREEMENT - INCORPORATED TERMS AND CONDITIONS**

AGREEMENT made as of the date of grant set forth in the Stock Option Grant Notice by and between Pieris Pharmaceuticals, Inc. (the "Company"), a Nevada corporation, and the individual whose name appears on the Stock Option Grant Notice (the "Participant").

WHEREAS, the Company desires to grant to the Participant an Option to purchase shares of its common stock, \$0.001 par value per share (the "Shares"), under and for the purposes set forth in the Company's 2014 Employee, Director and Consultant Equity Incentive Plan (the "Plan");

WHEREAS, the Company and the Participant understand and agree that any terms used and not defined herein have the same meanings as in the Plan; and

WHEREAS, the Company and the Participant each intend that the Option granted herein shall be of the type set forth in the Stock Option Grant Notice.

NOW, THEREFORE, in consideration of the mutual covenants hereinafter set forth and for other good and valuable consideration, the parties hereto agree as follows:

1. **GRANT OF OPTION.**

The Company hereby grants to the Participant the right and option to purchase all or any part of an aggregate of the number of Shares set forth in the Stock Option Grant Notice, on the terms and conditions and subject to all the limitations set forth herein, under United States securities and tax laws, and in the Plan, which is incorporated herein by reference. The Participant acknowledges receipt of a copy of the Plan.

2. **EXERCISE PRICE.**

The exercise price of the Shares covered by the Option shall be the amount per Share set forth in the Stock Option Grant Notice, subject to adjustment, as provided in the Plan, in the event of a stock split, reverse stock split or other events affecting the holders of Shares after the date hereof (the "Exercise Price"). Payment shall be made in accordance with Paragraph 9 of the Plan.

3. **EXERCISABILITY OF OPTION.**

Subject to the terms and conditions set forth in this Agreement and the Plan, the Option granted hereby shall become vested and exercisable as set forth in the Stock Option Grant Notice and is subject to the other terms and conditions of this Agreement and the Plan.

4. TERM OF OPTION.

This Option shall terminate on the Option Expiration Date as specified in the Stock Option Grant Notice and, if this Option is designated in the Stock Option Grant Notice as an ISO and the Participant owns as of the date hereof more than 10% of the total combined voting power of all classes of capital stock of the Company or an Affiliate, such date may not be more than five years from the date of this Agreement, but shall be subject to earlier termination as provided herein or in the Plan.

If the Participant ceases to be an Employee, director or Consultant of the Company or of an Affiliate for any reason other than the death or Disability of the Participant, or termination of the Participant for Cause (the "Termination Date"), the Option to the extent then vested and exercisable pursuant to Section 3 hereof as of the Termination Date, and not previously terminated in accordance with this Agreement, may be exercised within three months after the Termination Date, or on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice, whichever is earlier, but may not be exercised thereafter except as set forth below. In such event, the unvested portion of the Option shall not be exercisable and shall expire and be cancelled on the Termination Date.

If this Option is designated in the Stock Option Grant Notice as an ISO and the Participant ceases to be an Employee of the Company or of an Affiliate but continues after termination of employment to provide service to the Company or an Affiliate as a director or Consultant, this Option shall continue to vest in accordance with Section 3 above as if this Option had not terminated until the Participant is no longer providing services to the Company. In such case, this Option shall automatically convert and be deemed a Non-Qualified Option as of the date that is three months from termination of the Participant's employment and this Option shall continue on the same terms and conditions set forth herein until such Participant is no longer providing service to the Company or an Affiliate.

Notwithstanding the foregoing, in the event of the Participant's Disability or death within three months after the Termination Date, the Participant or the Participant's Survivors may exercise the Option within one year after the Termination Date, but in no event after the Option Expiration Date as specified in the Stock Option Grant Notice.

In the event the Participant's service is terminated by the Company or an Affiliate for Cause, the Participant's right to exercise any unexercised portion of this Option even if vested shall cease immediately as of the time the Participant is notified his or her service is terminated for Cause, and this Option shall thereupon terminate. Notwithstanding anything herein to the contrary, if subsequent to the Participant's termination, but prior to the exercise of the Option, the Administrator determines that, either prior or subsequent to the Participant's termination, the Participant engaged in conduct which would constitute Cause, then the Participant shall immediately cease to have any right to exercise the Option and this Option shall thereupon terminate.

In the event of the Disability of the Participant, as determined in accordance with the Plan, the Option shall be exercisable within one year after the Participant's termination of service due to Disability or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

- (a) to the extent that the Option has become exercisable but has not been exercised as of the date of the Participant's termination of service due to Disability; and
- (b) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of the Participant's termination of service due to Disability of any additional vesting rights that would have accrued on the next vesting date had the Participant not become Disabled. The proration shall be based upon the number of days accrued in the current vesting period prior to the date of the Participant's termination of service due to Disability.

In the event of the death of the Participant while an Employee, director or Consultant of the Company or of an Affiliate, the Option shall be exercisable by the Participant's Survivors within one year after the date of death of the Participant or, if earlier, on or prior to the Option Expiration Date as specified in the Stock Option Grant Notice. In such event, the Option shall be exercisable:

- (x) to the extent that the Option has become exercisable but has not been exercised as of the date of death; and
- (y) in the event rights to exercise the Option accrue periodically, to the extent of a pro rata portion through the date of death of any additional vesting rights that would have accrued on the next vesting date had the Participant not died. The proration shall be based upon the number of days accrued in the current vesting period prior to the Participant's date of death.

#### 5. METHOD OF EXERCISING OPTION.

Subject to the terms and conditions of this Agreement, the Option may be exercised by written notice to the Company or its designee, in substantially the form of Exhibit A attached hereto (or in such other form acceptable to the Company, which may include electronic notice). Such notice shall state the number of Shares with respect to which the Option is being exercised and shall be signed by the person exercising the Option (which signature may be provided electronically in a form acceptable to the Company). Payment of the Exercise Price for such Shares shall be made in accordance with Paragraph 9 of the Plan. The Company shall deliver such Shares as soon as practicable after the notice shall be received, provided, however, that the Company may delay issuance of such Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including, without limitation, state securities or "blue sky" laws). The Shares as to which the Option shall have been so exercised shall be registered in the Company's share register in the name of the person so exercising the Option (or, if the Option shall be exercised by the Participant and if the Participant shall so request in the notice exercising the Option, shall be registered in the

Company's share register in the name of the Participant and another person jointly, with right of survivorship) and shall be delivered as provided above to or upon the written order of the person exercising the Option. In the event the Option shall be exercised, pursuant to Section 4 hereof, by any person other than the Participant, such notice shall be accompanied by appropriate proof of the right of such person to exercise the Option. All Shares that shall be purchased upon the exercise of the Option as provided herein shall be fully paid and nonassessable.

6. PARTIAL EXERCISE.

Exercise of this Option to the extent above stated may be made in part at any time and from time to time within the above limits, except that no fractional share shall be issued pursuant to this Option.

7. NON-ASSIGNABILITY.

The Option shall not be transferable by the Participant otherwise than by will or by the laws of descent and distribution. If this Option is a Non-Qualified Option then it may also be transferred pursuant to a qualified domestic relations order as defined by the Code or Title I of the Employee Retirement Income Security Act or the rules thereunder. Except as provided above in this paragraph, the Option shall be exercisable, during the Participant's lifetime, only by the Participant (or, in the event of legal incapacity or incompetency, by the Participant's guardian or representative) and shall not be assigned, pledged or hypothecated in any way (whether by operation of law or otherwise) and shall not be subject to execution, attachment or similar process. Any attempted transfer, assignment, pledge, hypothecation or other disposition of the Option or of any rights granted hereunder contrary to the provisions of this Section 7, or the levy of any attachment or similar process upon the Option shall be null and void.

8. NO RIGHTS AS STOCKHOLDER UNTIL EXERCISE.

The Participant shall have no rights as a stockholder with respect to Shares subject to this Agreement until registration of the Shares in the Company's share register in the name of the Participant. Except as is expressly provided in the Plan with respect to certain changes in the capitalization of the Company, no adjustment shall be made for dividends or similar rights for which the record date is prior to the date of such registration.

9. ADJUSTMENTS.

The Plan contains provisions covering the treatment of Options in a number of contingencies such as stock splits and mergers. Provisions in the Plan for adjustment with respect to stock subject to Options and the related provisions with respect to successors to the business of the Company are hereby made applicable hereunder and are incorporated herein by reference.

10. TAXES.

The Participant acknowledges that any income or other taxes due from him or her with respect to this Option or the Shares issuable pursuant to this Option shall be the Participant's responsibility. The Participant acknowledges and agrees that (i) the Participant was free to use professional advisors of his or her choice in connection with this Agreement, has received advice from his or her professional advisors in connection with this Agreement, understands its meaning and import, and is entering into this Agreement freely and without coercion or duress; (ii) the Participant has not received and is not relying upon any advice, representations or assurances made by or on behalf of the Company or any Affiliate or any employee of or counsel to the Company or any Affiliate regarding any tax or other effects or implications of the Option, the Shares or other matters contemplated by this Agreement; and (iii) neither the Administrator, the Company, its Affiliates, nor any of its officers or directors, shall be held liable for any applicable costs, taxes, or penalties associated with the Option if, in fact, the Internal Revenue Service were to determine that the Option constitutes deferred compensation under Section 409A of the Code.

If this Option is designated in the Stock Option Grant Notice as a Non-Qualified Option or if the Option is an ISO and is converted into a Non-Qualified Option and such Non-Qualified Option is exercised, the Participant agrees that the Company may withhold from the Participant's remuneration, if any, the minimum statutory amount of federal, state and local withholding taxes attributable to such amount that is considered compensation includable in such person's gross income. At the Company's discretion, the amount required to be withheld may be withheld in cash from such remuneration, or in kind from the Shares otherwise deliverable to the Participant on exercise of the Option. The Participant further agrees that, if the Company does not withhold an amount from the Participant's remuneration sufficient to satisfy the Company's income tax withholding obligation, the Participant will reimburse the Company on demand, in cash, for the amount under-withheld.

11. PURCHASE FOR INVESTMENT.

Unless the offering and sale of the Shares to be issued upon the particular exercise of the Option shall have been effectively registered under the Securities Act, the Company shall be under no obligation to issue the Shares covered by such exercise unless the Company has determined that such exercise and issuance would be exempt from the registration requirements of the Securities Act and until the following conditions have been fulfilled:

- (a) The person(s) who exercise the Option shall warrant to the Company, at the time of such exercise, that such person(s) are acquiring such Shares for their own respective accounts, for investment, and not with a view to, or for sale in connection with, the distribution of any such Shares, in which event the person(s) acquiring such Shares shall be bound by the provisions of the following legend which shall be endorsed upon any certificate(s) evidencing the Shares issued pursuant to such exercise:

"The shares represented by this certificate have been taken for investment and they may not be sold or otherwise transferred by any person, including a pledgee, unless (1) either (a) a Registration Statement with respect to such shares shall be effective under the Securities Act of 1933, as amended, or (b) the Company shall have received an opinion of counsel satisfactory to it that an exemption from registration under such Act is then available, and (2) there shall have been compliance with all applicable state securities laws;" and



(b) If the Company so requires, the Company shall have received an opinion of its counsel that the Shares may be issued upon such particular exercise in compliance with the Securities Act without registration thereunder. Without limiting the generality of the foregoing, the Company may delay issuance of the Shares until completion of any action or obtaining of any consent, which the Company deems necessary under any applicable law (including without limitation state securities or “blue sky” laws).

## 12. RESTRICTIONS ON TRANSFER OF SHARES.

12.1 The Participant agrees that in the event the Company proposes to offer for sale to the public any of its equity securities and such Participant is requested by the Company and any underwriter engaged by the Company in connection with such offering to sign an agreement restricting the sale or other transfer of Shares, then it will promptly sign such agreement and will not transfer, whether in privately negotiated transactions or to the public in open market transactions or otherwise, any Shares or other securities of the Company held by him or her during such period as is determined by the Company and the underwriters, not to exceed 180 days following the closing of the offering, plus such additional period of time as may be required to comply with Marketplace Rule 2711 of the National Association of Securities Dealers, Inc. or similar rules thereto (such period, the “Lock-Up Period”). Such agreement shall be in writing and in form and substance reasonably satisfactory to the Company and such underwriter and pursuant to customary and prevailing terms and conditions. Notwithstanding whether the Participant has signed such an agreement, the Company may impose stop-transfer instructions with respect to the Shares or other securities of the Company subject to the foregoing restrictions until the end of the Lock-Up Period.

12.2 The Participant acknowledges and agrees that neither the Company, its stockholders nor its directors and officers, has any duty or obligation to disclose to the Participant any material information regarding the business of the Company or affecting the value of the Shares before, at the time of, or following a termination of the service of the Participant by the Company, including, without limitation, any information concerning plans for the Company to make a public offering of its securities or to be acquired by or merged with or into another firm or entity.

13. NO OBLIGATION TO MAINTAIN RELATIONSHIP.

The Participant acknowledges that: (i) the Company is not by the Plan or this Option obligated to continue the Participant as an employee, director or Consultant of the Company or an Affiliate; (ii) the Plan is discretionary in nature and may be suspended or terminated by the Company at any time; (iii) the grant of the Option is a one-time benefit which does not create any contractual or other right to receive future grants of options, or benefits in lieu of options; (iv) all determinations with respect to any such future grants, including, but not limited to, the times when options shall be granted, the number of shares subject to each option, the option price, and the time or times when each option shall be exercisable, will be at the sole discretion of the Company; (v) the Participant's participation in the Plan is voluntary; (vi) the value of the Option is an extraordinary item of compensation which is outside the scope of the Participant's employment or consulting contract, if any; and (vii) the Option is not part of normal or expected compensation for purposes of calculating any severance, resignation, redundancy, end of service payments, bonuses, long-service awards, pension or retirement benefits or similar payments.

14. IF OPTION IS INTENDED TO BE AN ISO.

If this Option is designated in the Stock Option Grant Notice as an ISO so that the Participant (or the Participant's Survivors) may qualify for the favorable tax treatment provided to holders of Options that meet the standards of Section 422 of the Code then any provision of this Agreement or the Plan which conflicts with the Code so that this Option would not be deemed an ISO is null and void and any ambiguities shall be resolved so that the Option qualifies as an ISO. The Participant should consult with the Participant's own tax advisors regarding the tax effects of the Option and the requirements necessary to obtain favorable tax treatment under Section 422 of the Code, including, but not limited to, holding period requirements.

Notwithstanding the foregoing, to the extent that the Option is designated in the Stock Option Grant Notice as an ISO and is not deemed to be an ISO pursuant to Section 422(d) of the Code because the aggregate Fair Market Value (determined as of the Date of Option Grant) of any of the Shares with respect to which this ISO is granted becomes exercisable for the first time during any calendar year in excess of \$100,000, the portion of the Option representing such excess value shall be treated as a Non-Qualified Option and the Participant shall be deemed to have taxable income measured by the difference between the then Fair Market Value of the Shares received upon exercise and the price paid for such Shares pursuant to this Agreement.

Neither the Company nor any Affiliate shall have any liability to the Participant, or any other party, if the Option (or any part thereof) that is intended to be an ISO is not an ISO or for any action taken by the Administrator, including without limitation the conversion of an ISO to a Non-Qualified Option.

15. NOTICE TO COMPANY OF DISQUALIFYING DISPOSITION OF AN ISO.

If this Option is designated in the Stock Option Grant Notice as an ISO then the Participant agrees to notify the Company in writing immediately after the Participant makes a

Disqualifying Disposition of any of the Shares acquired pursuant to the exercise of the ISO. A Disqualifying Disposition is defined in Section 424(c) of the Code and includes any disposition (including any sale) of such Shares before the later of (a) two years after the date the Participant was granted the ISO or (b) one year after the date the Participant acquired Shares by exercising the ISO, except as otherwise provided in Section 424(c) of the Code. If the Participant has died before the Shares are sold, these holding period requirements do not apply and no Disqualifying Disposition can occur thereafter.

16. NOTICES.

Any notices required or permitted by the terms of this Agreement or the Plan shall be given by recognized courier service, facsimile, registered or certified mail, return receipt requested, addressed as follows:

If to the Company:

Pieris Pharmaceuticals, Inc.  
Lise-Meitner-Strasse 30  
85354 Freising-Weihenstephan  
Germany  
Telephone No.: +49 (0) 8161 14 11 400 1  
Facsimile No.: +49 (0) 8161 14 11 444  
Attention: Chief Executive Officer

If to the Participant, at the address set forth on the Stock Option Grant Notice.

or to such other address or addresses of which notice in the same manner has previously been given. Any such notice shall be deemed to have been given upon the earlier of receipt, one business day following delivery to a recognized courier service or three business days following mailing by registered or certified mail.

17. GOVERNING LAW.

This Agreement shall be governed by and construed in accordance with the laws of Nevada, without giving effect to the conflict of law principles thereof. For the purpose of litigating any dispute that arises under this Agreement, the parties hereby consent to exclusive jurisdiction in Nevada and agree that such litigation shall be conducted in the state courts of Nevada or the federal courts of the United States for the District of Nevada.

18. BENEFIT OF AGREEMENT.

Subject to the provisions of the Plan and the other provisions hereof, this Agreement shall be for the benefit of and shall be binding upon the heirs, executors, administrators, successors and assigns of the parties hereto.

19. ENTIRE AGREEMENT.

This Agreement, together with the Plan, embodies the entire agreement and understanding between the parties hereto with respect to the subject matter hereof and supersedes all prior oral or written agreements and understandings relating to the subject matter hereof. No statement, representation, warranty, covenant or agreement not expressly set forth in this Agreement shall affect or be used to interpret, change or restrict, the express terms and provisions of this Agreement, provided, however, in any event, this Agreement shall be subject to and governed by the Plan.

20. MODIFICATIONS AND AMENDMENTS.

The terms and provisions of this Agreement may be modified or amended as provided in the Plan.

21. WAIVERS AND CONSENTS.

Except as provided in the Plan, the terms and provisions of this Agreement may be waived, or consent for the departure therefrom granted, only by written document executed by the party entitled to the benefits of such terms or provisions. No such waiver or consent shall be deemed to be or shall constitute a waiver or consent with respect to any other terms or provisions of this Agreement, whether or not similar. Each such waiver or consent shall be effective only in the specific instance and for the purpose for which it was given, and shall not constitute a continuing waiver or consent.

22. DATA PRIVACY.

By entering into this Agreement, the Participant: (i) authorizes the Company and each Affiliate, and any agent of the Company or any Affiliate administering the Plan or providing Plan recordkeeping services, to disclose to the Company or any of its Affiliates such information and data as the Company or any such Affiliate shall request in order to facilitate the grant of options and the administration of the Plan; and (ii) authorizes the Company and each Affiliate to store and transmit such information in electronic form for the purposes set forth in this Agreement.

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NOTICE OF EXERCISE OF STOCK OPTION

**[Form for Shares registered in the United States]**

To: Pieris Pharmaceuticals, Inc.

IMPORTANT NOTICE: This form of Notice of Exercise may only be used at such time as the Company has filed a Registration Statement with the Securities and Exchange Commission under which the issuance of the Shares for which this exercise is being made is registered and such Registration Statement remains effective.

Ladies and Gentlemen:

I hereby exercise my Stock Option to purchase \_\_\_\_\_ shares (the "Shares") of the common stock, \$0.001 par value, of Pieris Pharmaceuticals, Inc. (the "Company"), at the exercise price of \$ \_\_\_\_\_ per share, pursuant to and subject to the terms of that Stock Option Grant Notice dated \_\_\_\_\_, 201\_\_\_\_.

I understand the nature of the investment I am making and the financial risks thereof. I am aware that it is my responsibility to have consulted with competent tax and legal advisors about the relevant national, state and local income tax and securities laws affecting the exercise of the Option and the purchase and subsequent sale of the Shares.

I am paying the option exercise price for the Shares as follows:

\_\_\_\_\_

Please issue the Shares (check one):

to me; or

to me and \_\_\_\_\_, as joint tenants with right of survivorship,

at the following address:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

My mailing address for stockholder communications, if different from the address listed above, is:

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Very truly yours,

\_\_\_\_\_  
Participant (signature)

\_\_\_\_\_  
Print Name

\_\_\_\_\_  
Date

Exhibit A-2

CONFIDENTIAL TREATMENT REQUESTED

EXECUTION COPY

COLLABORATION AGREEMENT

Between

**PIERIS AG**

And

**ALLERGAN**

Effective as of

**August 21, 2009**

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



THIS COLLABORATION AGREEMENT (“**Agreement**”) is entered into on August 21, 2009 (the “**Effective Date**”) between

**ALLERGAN SALES, LLC** a Delaware Limited Liability Company, having a place of business at 2525 Dupont Drive, Irvine, California 92612, **ALLERGAN, INC.**, a Delaware Corporation having its principal place of business at 2525 Dupont Drive, Irvine, California 92612, and **ALLERGAN PHARMACEUTICALS HOLDINGS (IRELAND) LTD.**, (“**APHI**”) an Irish company, having a registered address at Longphort House, Earlsfort Centre, Lower Leeson Street, Dublin 2, Ireland (collectively, “**Allergan**”); and

**PIERIS AG**, having a principal place of business at Lise Meitner Straße 30, 85354 Freising Weihenstephan (“**Pieris**”) (Allergan and Pieris are referred to as the “**Parties**”).

**PREAMBLE**

WHEREAS, Pieris is the owner of a proprietary technology relating to the discovery and development of Anticalins® (as defined below) and has developed Anticalins® [\*\*\*] (as defined below),

WHEREAS, Allergan is a multi-specialty healthcare company that discovers, develops, and commercializes specialty pharmaceutical, medical device, and over-the-counter products for various markets with a long history of focus of the ophthalmic market worldwide and is interested in entering into a collaboration with Pieris in relation to the development and commercialization of Anticalins® [\*\*\*] in the Allergan Field (as defined below),

NOW AND THEREFORE, the Parties agree as follows.

**1. DEFINITIONS**

**1.1 “Affiliate”** means any entity that controls, is controlled by, or is under common control with a Party. An entity “controls” another if it owns more than fifty percent (50%) of the outstanding voting securities of a corporation or has a comparable equity interest in any other type of entity.

**1.2 “[\*\*\*]”** means [\*\*\*] Allergan has invented, developed, or otherwise acquired rights to use, make, or sell.

**1.3 “Allergan Field”** means the treatment and prevention of conditions and diseases of the eye or eye lids by local delivery of Compounds. “[\*\*\*],” as used here, means [\*\*\*].

**1.4 “Anticalin®”** means any protein derived from any Lipocalin by Pieris’ proprietary technology of selecting a target-binding Lipocalin mutein out of a randomized library as defined by the Pieris Patents.

**1.5 “Commercially Reasonable Efforts”** means efforts and deployment of resources consistent with the exercise of reasonable and prudent business judgment, used by Allergan for

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any of its products that are of similar market potential at a similar stage in their product life, taking into account issues of safety and efficacy, product profile, the market potential, the competitiveness of the marketplace, the proprietary position of the product, the regulatory and reimbursement structure involved, the cost of scaling up a manufacturing process (including facility costs), the profitability of the applicable products, and any other relevant factors.

**1.6 “Compound”** means an Anticalin® or other protein that inhibits, partially or completely, [\*\*\*].

**1.7 “Confidential Information”** means all information disclosed by one Party to another under this Agreement.

**1.8 “Cost of Goods” or “COGS”** means fully-burdened Standard Costs of supplying Compounds calculated in accordance with Pieris’s accounting methods consistently applied, which methodology will be calculated in compliance with local generally accepted accounting principles or International Financial Reporting Standards. Notwithstanding the above, COGS will not include allocation of unabsorbed costs, including, for example, costs associated with less than full or complete utilization of Pieris’s facilities.

**1.9 “Data”** means any and all data generated pursuant to this Agreement by the Parties, whether independently or jointly.

**1.10 “Development Compound”** means a Lead Compound that the JDC has selected to advance into human clinical trials. [\*\*\*] is a Development Compound as of [\*\*\*].

**1.11 “[\*\*\*]” or “[\*\*\*]”** means [\*\*\*].

**1.12 “FDA”** means the U.S. Food and Drug Administration, or any Regulatory Authority that is the successor thereto.

**1.13 “FTE”** means the resources required to fund one full time research and/or development employee, with qualifications in the relevant field, for approximately [\*\*\*] scientific hours of effort per [\*\*\*].

**1.14 “JDC”** means the “Joint Discovery Committee” described in Section 2.

**1.15 “Know-How”** means all scientific information reasonably relating to the research, development, manufacture, delivery, commercialization, or any other use of the Compounds, Lead Compounds, Development Compounds, or Licensed Products relating to the Allergan Field.

**1.16 “Lead Compound”** is a Compound that the JDC has designated for further evaluation in the Allergan Field. [\*\*\*] is a Lead Compound as of [\*\*\*].

**1.17 “Licensed Product”** means any Development Compound for which Allergan obtains the approval from a Regulatory Authority to sell for use in the Allergan Field.

**1.18 “Major Market Country”** means [\*\*\*].

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**1.19 “Modified Compound”** means a Compound that Pieris modifies pursuant to Section 3.4.

**1.20 “Patent Right”** means, with respect to any technology, (a) all patent applications heretofore or hereafter filed or having legal force in any country to the extent and only to the extent they claim or cover such technology or the use thereof; (b) all patents that have issued or in the future issue from such applications referenced in (a) above, including without limitation utility model and design patents and certificates of invention; and (c) all divisionals, continuations, continuations-in-part, reissues, reexaminations, renewals, extensions, supplementary protection certificates or additions to any such patent applications and patents.

**1.21 “Pieris Claims”** mean those claims described in Section 10.3.

**1.22 “Pieris Field”** means all fields other than the Allergan Field.

**1.23 “Pieris Patents”** means a) the Patent Rights listed in **Exhibit B**; and b) any Patent Rights or other patent or patent application that Pieris owns or (subject to Section 5.4) is able to license to Allergan in the Allergan Field to the extent and only to the extent it claims a Licensed Product, Lead Compound, Development Compound, Modified Compound, or Compound, or methods of making, using, or delivering Licensed Products, Lead Compounds, Development Compounds, Modified Compounds, or Compounds.

**1.24 “[\*\*\*]”** and “[\*\*\*]” are those Compounds [\*\*\*] set forth in **Exhibit C**.

**1.25 “Regulatory Authority”** means an agency of any government having the authority to regulate the sale, manufacture, marketing, testing and/or pricing of drugs.

**1.26 “Research Plan”** is that document attached hereto as **Exhibit A** and as amended from time to time by the JDC.

**1.27 The “Standard Costs”** of an item or service means the costs of raw materials, active pharmaceutical ingredient, components, labor, and overhead attributed to the production, processing, quality control, labeling, and packaging of the item or service.

**1.28 “[\*\*\*]”** means [\*\*\*].

## **2. JOINT DISCOVERY COMMITTEE**

**2.1** Within a reasonable period after the Effective Date, the Parties will establish a Joint Discovery Committee (“**JDC**”) comprising [\*\*\*] representatives of each Party. Each Party may at any time appoint different such representatives by written notice to the other Party. Additional representatives of a Party may attend meetings in a non-voting capacity. Each Party will designate one of its representatives as a co-chair of the JDC.

**2.2** The JDC will determine the strategy of the collaboration and manage research conducted pursuant to it, in so far as the collaboration pertains to Compounds and Lead Compounds, including their design and selection.

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2.3 The JDC will hold meetings at such times and places as the co-chairs may determine, provided that, unless the Parties agree otherwise, the Parties will meet in person at least once every [\*\*\*] months, alternating between the research offices of each Party. All other meetings need not be in person and may be by telephone or any other method determined by the JDC. Each Party will bear its own costs associated with attending meetings.

2.4 Decisions of the JDC [\*\*\*] to be [\*\*\*] it will [\*\*\*] and the [\*\*\*] will be [\*\*\*] provided that [\*\*\*].

2.5 The JDC will keep accurate meeting minutes of its deliberations and will finalize them for release to the Parties within [\*\*\*] days of each meeting.

2.6 The JDC will cease to function and conduct no further meetings [\*\*\*] years after the Effective Date, unless otherwise agreed by the JDC.

### 3. CONDUCT OF THE COLLABORATION

3.1 The Parties will conduct the research described in the Research Plan (attached as Exhibit A) and as described below. The JDC may amend the Research Plan at any time, but may not (i) impose on a Party an obligation that is inconsistent with this Agreement, without that Party's consent, or (ii) amend the Research Plan in such a way that is inconsistent with Commercially Reasonable Efforts without the unanimous consent of all JDC representatives. The JDC may not amend this Agreement. Where there is a conflict between the Research Plan and this Agreement, the provisions of this Agreement will prevail.

3.2 The Parties will conduct all activities pursuant to this Agreement in compliance with all applicable good laboratory practices, good manufacturing practices, and all laws.

#### *Pieris Responsibilities*

3.3 Pieris will at its own expense

- a) Supply Allergan for evaluation purposes within the Allergan Field with i) [\*\*\*]; and ii) [\*\*\*] (provided that Pieris is not prohibited from supplying [\*\*\*] under any agreement concluded with any third party); and
- b) Disclose to Allergan [\*\*\*].

3.4 Pieris will modify [\*\*\*] supplied pursuant to Section 3.3 [\*\*\*] as specified in the Research Plan or as otherwise agreed to by the JDC, in return for which Allergan will pay all costs and expenses of Pieris for performing such research at an FTE rate of US Dollars [\*\*\*] \$[\*\*\*\*]) per year and to reimburse to Pieris all third party costs incurred by Pieris in connection with any such research. Notwithstanding anything to the contrary in this Agreement (such as the provisions of Section 10.3), Allergan will have the exclusive right to make, have made, use, sell, offer for sale, and import such [\*\*\*] within the Allergan Field, and Pieris [\*\*\*]. Before Pieris conducts any work pursuant to this section the JDC must approve it and the payment for it. Pieris will not be obliged to provide more than [\*\*\*] FTEs per [\*\*\*] under this Section 3.4.

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3.5 On Allergan's request, Pieris will use commercially reasonable efforts to provide to Allergan any Compounds that the JDC designates as Lead Compounds or Development Compounds, in the quantities and having the characteristics specified in the Research Plan, or in the quantities and having the characteristics as otherwise agreed to by the JDC, up to a maximum of [\*\*\*] per Compound. Allergan will pay Pieris COGS [\*\*\*] for all Compounds delivered to Allergan that Pieris has manufactured at its facilities.

3.6 Pieris may meet its obligations under the previous section (Section 3.5) by contracting with a third party for the manufacture of Compounds. Should Pieris do so, then (i) Allergan will pay Pieris the amount which Pieris owes to the third party in connection with the manufacture of the Compounds that Pieris supplies to Allergan (including any costs relating to any failed batch), and (ii) Allergan's rights and remedies, and Pieris' liability, with respect to such Compounds will be limited to the rights and remedies that Pieris has towards the third party manufacturer under its agreement with such manufacturer.

3.7 Pieris will not be obligated to carry out any [\*\*\*] under the Research Plan or otherwise under this Agreement. For the avoidance of doubt, all obligations of Pieris pursuant to this Section 3 will end [\*\*\*] years from the Effective Date.

#### ***Allergan Responsibilities***

3.8 For a period of [\*\*\*] after the Effective Date, Allergan will at its own expense:

- a) Evaluate Lead Compounds in *in vitro* test systems developed by Pieris and approved by the JDC;
- b) Develop analytical methods for evaluating Lead Compounds in *in vivo* test systems; and
- c) Perform such other obligations the Research Plan identifies.

3.9 In addition, Allergan will use Commercially Reasonable Efforts to commercialize [\*\*\*]. Except as otherwise stated in this Agreement or the Research Plan, Allergan will be responsible for performing, at its sole expense, all research and development activities necessary to fulfill this obligation.

#### ***Lead Compound and Development Compound Selection***

3.10 The JDC will evaluate Compounds and may at any time designate one or more Compounds as Lead Compounds.

3.11 The JDC will evaluate Lead Compounds, and may at any time designate one or more Lead Compounds as Development Compounds.

3.12 Once the JDC designates a Lead Compound as a Development Compound, [\*\*\*] in accordance with its obligations pursuant to [\*\*\*].

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3.13 For as long as [\*\*\*], Allergan will provide to Pieris, up to [\*\*\*] per [\*\*\*] on Pieris's written request, a summary of the then-current development and commercialization status as well as significant events relating to the development and commercialization of Development Compounds.

#### 4. EXCLUSIVITY

4.1 During the term of this Agreement as well as for as long as Allergan [\*\*\*], Pieris will not grant to any third party the right to make, use, sell, offer for sale, or import any Compound in the Allergan Field or transfer to a third party any Compound for the purpose of making, using, selling, offering for sale the Compound in the Allergan Field. To the extent Pieris grants to any third party any right to commercialize any Compound outside of the Allergan Field, it will include in its Agreement with the third party a specific prohibition against making, using, selling, offering for sale, and importing the Compound within the Allergan Field. mmm

4.2 For the avoidance of doubt, Pieris may make, use, sell, offer for sale, and import any Compound in the Pieris Field, and may enter into any license or other arrangement with any third party to make, use, sell, offer for sale, and import any Compound in the Pieris Field.

#### 5. LICENSE

5.1 Pieris grants to Allergan, solely in the Allergan Field, an exclusive license under the Pieris Patents and Pieris Claims to make, have made, use, sell, offer for sale, and import Compounds, Lead Compounds, Development Compounds, Modified Compounds, and Licensed Products anywhere in the world. Such license will be exclusive even as to Pieris; Pieris may not make, have made, use, sell, offer for sale, or import Compounds, Lead Compounds, Development Compounds, Modified Compounds, or Licensed Products in the Allergan Field, except that Pieris may make and use such Compounds to perform its obligations under this Agreement.

5.2 Pieris grants to Allergan a non-exclusive license to use, for the purpose of researching, developing, making, having made, and selling Compounds in the Allergan Field, any Know-How that Pieris discloses to Allergan. For the avoidance of doubt, any such Know-How may not be used by Allergan or any of its employees in the Pieris Field.

5.3 Allergan may sublicense its rights under the preceding two sections (Sections 5.1 and 5.2) to any third party without Pieris's consent, provided that any such third party agrees in writing to be bound by the terms of this Agreement. No such sublicense will relieve Allergan of liability for its obligations to Pieris under this Agreement.

5.4 In the event that a) Pieris licenses a Pieris Patent from a third party, and b) the license would require Pieris to [\*\*\*] for Allergan's manufacture, use, sale, or importation of Compounds, Lead Compounds, Development Compounds, Modified Compounds, or Licensed Products, if Pieris were to grant to Allergan a sublicense for such manufacture, use, sale, or importation; then [\*\*\*]. If Allergan desires a sublicense, then [\*\*\*] for Allergan's manufacture, use, sale or importation of Compounds, Lead Compounds, Development Compounds, Modified Compounds, and Licensed Products; [\*\*\*].

5.5 For the avoidance of doubt, Pieris has no rights to make, use, sell, offer for sale or otherwise exploit any [\*\*\*], and Pieris may not prevent Allergan from making, using, selling, offering for sale or otherwise exploiting any such [\*\*\*] in any way that Allergan chooses.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**6. PAYMENT**

**6.1** Allergan will pay to Pieris a non-refundable license and technology access fee of ten million dollars (\$10,000,000) within [\*\*\*] days of the Effective Date.

**6.2** Allergan will pay to Pieris [\*\*\*] dollars [\*\*\*] \$[\*\*\*] days of the date on which Allergan [\*\*\*]. Allergan's [\*\*\*] will not entitle Pieris to any additional payment under this section. In no event will Allergan pay to Pieris more than [\*\*\*] dollars [\*\*\*] \$[\*\*\*] under this section.

**6.3** In the event that [\*\*\*], then Allergan will pay to Pieris [\*\*\*] dollars [\*\*\*] \$[\*\*\*] within [\*\*\*] of a) [\*\*\*]; or b) [\*\*\*], whichever occurs later. Only [\*\*\*] – will entitle Pieris to a payment under this section. For example, if the [\*\*\*] on [\*\*\*] [\*\*\*] dollars [\*\*\*] \$[\*\*\*] by [\*\*\*] (the deadline being extended by one day under Section 14.11, as [\*\*\*] is a Sunday). [\*\*\*]. In no event will Allergan pay to Pieris more than [\*\*\*] dollars [\*\*\*] \$[\*\*\*] under this section.

**6.4** Allergan will pay to Pieris [\*\*\*] dollars [\*\*\*] \$[\*\*\*] within [\*\*\*] days of the date on which Allergan [\*\*\*], after [\*\*\*]. Allergan's [\*\*\*] will not entitle Pieris to any additional payment under this section. In no event will Allergan pay to Pieris more than [\*\*\*] dollars [\*\*\*] \$[\*\*\*] under this section.

**6.5** In the event that [\*\*\*], then Allergan will pay to Pieris an [\*\*\*] dollars (\$[\*\*\*]) within [\*\*\*] days of a) [\*\*\*]; or b) [\*\*\*], whichever occurs later. Only [\*\*\*], will entitle Pieris to a payment under this section. For example, [\*\*\*] on [\*\*\*] and [\*\*\*] on [\*\*\*], then Allergan will pay to Pieris [\*\*\*] dollars [\*\*\*] \$[\*\*\*] by [\*\*\*]; if [\*\*\*] on [\*\*\*], then Allergan will pay to Pieris [\*\*\*] (\$[\*\*\*]) by [\*\*\*]. [\*\*\*]. [\*\*\*] dollars [\*\*\*] \$[\*\*\*].

**6.6** The preceding five sections (Sections 6.1, 6.2, 6.3, 6.4, and 6.5) set forth the entirety of Allergan's monetary obligations to Pieris in connection with Allergan's manufacture, use, or sale of Licensed Products; no additional amounts will be due for Allergan's selling, offering for sale, manufacturing, or importing of Licensed Products. In no event will Allergan pay to Pieris more than twenty three million dollars (\$23,000,000) under those sections.

**6.7** All payments due under this Agreement are expressed in U.S. dollars. Allergan will pay Pieris by wire transfer to the bank and account it designates in writing to Allergan. In the event that withholding taxes apply under the laws of any jurisdiction, Allergan will be entitled to withhold from any payment due to Pieris under this Agreement any taxes that Allergan is required to pay, and such withholding will decrease by an equivalent amount the payment due to Pieris. Allergan will timely pay the amount of any taxes withheld to the proper governmental authority and provide Pieris with an official tax certificate or other evidence of tax obligation, together with proof of payment from the relevant governmental authority sufficient to enable Pieris to evidence such payment of taxes. Allergan will reasonably cooperate with Pieris in its attempts to reduce or be exempted from any taxes that Allergan withholds under this section.

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**7. TERM**

**7.1** This Agreement is effective as of the Effective Date and will continue until Allergan pays to Pieris twenty three million dollars (\$23,000,000) under Sections 6.1 to 6.5. Thereafter, Allergan will have a fully paid-up, irrevocable license to exercise the rights conferred in Section 5 without further obligation to Pieris, and this Agreement will expire. Sections 1, 4, 5, 7.6, 8.5 - 8.10, 9, 10, 11, 13 and 14 will survive any such expiration of this Agreement.

**7.2** Each Party may terminate this Agreement on written notice to the other Party if any of the following occurs:

- a)** the other Party files a petition in bankruptcy or the other Party is served with an involuntary petition in bankruptcy and the involuntary petition is not dismissed within [\*\*\*] days; or
- b)** the other Party breaches any material term of this Agreement and does not cure the breach within [\*\*\*]days for non-payment of any non-disputed sums) after receipt of written notice of the breach from the non-breaching Party. For the avoidance of doubt, non-compliance by Allergan with its obligations pursuant to Section 3.9 will constitute a breach of a material term of this Agreement.

**7.3** Allergan may terminate this Agreement without cause on [\*\*\*] days written notice to Pieris. Termination under this section will extinguish Allergan's obligation to make any payment under Section 6 with respect to any event that does not occur by the end of the [\*\*\*]-day notice period.

**7.4** Subject to Sections 7.5 - 7.7, 8.5, 8.6, 10.1 to 10.3, 10.11 to 10.14, 11, 13 and 14 which will survive any termination of this Agreement, all rights and obligations of either Party under this Agreement (including, without limitation, the licenses granted pursuant to Section 5 and the exclusivity obligations contained in Section 4) will terminate on the effective date of any termination of this Agreement.

**7.5** Promptly after termination of this Agreement pursuant to Section 7.2 or 7.3, each Party will at the request of the other Party return or destroy any Confidential Information of the other Party in accordance with that Party's instructions, except that a Party may retain one copy of the information for archival purposes.

**7.6** The termination or expiration of this Agreement, in whole or in part, will be without prejudice to (a) the right of Pieris to receive all amounts accrued hereunder prior to the effective date of such termination or expiration and (b) any other remedies as may now or hereafter be available to any Party, whether under this Agreement or otherwise.

**7.7** In the event that Pieris terminates this Agreement under Section 7.2 or Allergan terminates this Agreement under Section 7.3, then Pieris (and any person to whom Pieris may license or transfer rights in any Compound, Lead Compound, Development Compound, Modified Compound or Licensed Product) will have the right to reference for no consideration any Data

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submitted by Allergan to any regulatory authority to the extent reference to such Data is required for any regulatory filing in connection with the research, development or commercialization of that Compound, Lead Compound, Development Compound, Modified Compound or Licensed Product. This section does not obligate Allergan to continue or otherwise maintain any regulatory filings following termination of this Agreement, nor does it obligate Allergan to convey to Pieris any rights to any regulatory filing. Furthermore, in no event will Allergan be obligated to convey to Pieris any rights to any [\*\*\*].

#### **8. MAINTENANCE, REPORTING, AND REGULATORY SUPPORT**

**8.1** Within [\*\*\*] days of the Effective Date, Pieris will disclose to Allergan all Know-How that Pieris owns or otherwise controls, provided that Pieris is not prohibited from disclosing such Know-How under any agreement concluded with any third party. Thereafter, and until the expiration of the [\*\*\*] year following the Effective Date, Pieris will disclose to Allergan any additional Know-How that Pieris is allowed to disclose within a reasonable period of time after Pieris creates or otherwise acquires such Know-How. After the expiration of the [\*\*\*] year following the Effective Date, Pieris will disclose to Allergan, on Allergan's reasonable request, any Know-How that may facilitate Allergan's development of Compounds, Development Compounds, or Licensed Products under this Agreement.

**8.2** At least once per quarter, or as frequently as the JDC may otherwise determine, Pieris will provide Allergan with written reports setting forth a summary and interpretation of Data it obtains in performing research pursuant to this Agreement. The report will contain such other information as determined by the JDC.

**8.3** Pieris will create and maintain complete and accurate written records of Data obtained under this Agreement, for as long as required under applicable law, or until the termination or expiration of this Agreement, whichever is longer, and will make such records available to Allergan for inspection and copying (at Allergan's expense) during regular business hours on reasonable advance notice.

**8.4** Representatives of Allergan may, on reasonable notice and at times reasonably acceptable to Pieris, visit for any purpose determined by the JDC those facilities of Pieris where it conducts activities under this Agreement.

#### ***Ownership of Data***

**8.5** Pieris will solely own all Data it generates alone or generates jointly with Allergan relating to the synthesis, discovery, design or manufacture of Compounds, and will grant to Allergan an exclusive right to use such Data to research, develop, make, have made, and sell Compounds within the Allergan Field. Pieris will have the right to use such Data for any purpose outside the Allergan Field, provided that such use is not inconsistent with any other provision of this Agreement.

**8.6** Notwithstanding Section 8.5, Allergan will solely own all Data it generates alone or generates jointly with Pieris relating to [\*\*\*], or the combination of [\*\*\*], and will grant to Pieris a non-exclusive right to use such Data for the purpose of conducting research pursuant to this Agreement. Subject to Section 10.12, Allergan will have the right to use the Data for any purpose.

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***Regulatory Rights and Cooperation Regarding Regulatory Matters***

8.7 [\*\*\*] will determine all regulatory plans and strategies for [\*\*\*] in the Allergan Field (which plans and strategies will be in compliance with Section 3.9), and will [\*\*\*] submit to and prosecute before Regulatory Authorities any matter with respect to Compounds, Lead Compounds, Development Compounds, Modified Compounds, and Licensed Products in the Allergan Field. Allergan will own all submissions to and approvals granted by Regulatory Authorities. Allergan will inform Pieris of any such submissions or approvals.

8.8 Notwithstanding any provision in this Agreement to the contrary, Allergan may disclose any Confidential Information to any Regulatory Authority.

8.9 The Parties will disclose to each other any information showing that any Development Compound or Licensed Product that the Parties are both developing or commercializing, in any field, are associated with any serious adverse event in any human. The Parties will disclose this information as soon as practical after acquiring it, and at most [\*\*\*] days. In connection with humans, "serious adverse event" has the same meaning as that term in *International Conference on Harmonisation, Guideline for Industry, Clinical Safety Data Management: Definitions and Standards for Expedited Reporting* (March, 1995). Within a reasonable time, but no later than [\*\*\*] months after the Effective Date, the Parties will negotiate an agreement establishing additional procedures for the exchange of such information.

8.10 [\*\*\*] will make its employees and others working on its behalf reasonably available to consult with [\*\*\*] and with any Regulatory Authority on any issue arising under this Agreement, [\*\*\*].

**9. MANUFACTURE OF COMPOUNDS**

9.1 Allergan will have the right to manufacture or have a third party manufacture all of Allergan's requirements of Compounds for pre-clinical studies, clinical trials, and for commercial sale, without further obligation to Pieris. At Allergan's request, Pieris will reasonably assist Allergan, at Allergan's expense, in manufacturing or having manufactured the Compounds, including disclosing to Allergan or the third party such Know-How that is reasonably necessary to manufacture the Compound. If not already conveyed to Allergan under Section 5, Pieris will convey to Allergan such rights that Pieris owns or is able to license to Allergan (subject to Section 5.4) as are required for Allergan to manufacture the Compounds or have the third party manufacture them; such rights will include [\*\*\*] in accordance with [\*\*\*] set forth in that agreement, [\*\*\*]. If Allergan wishes to [\*\*\*]. The Parties agree that it is the goal of Pieris and Allergan that [\*\*\*] in relation to the Compounds as soon as possible following the execution of this Agreement, and both Parties will cooperate to achieve such goal.

9.2 As a condition of any disclosure of Pieris Know-How from Allergan to a third party, the third party must agree to be bound by an agreement obligating it to maintain the Know-How in confidence under substantially the same terms as those set forth in Section 11 and not to use such Know-How for any purposes outside of the Allergan Field.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**10. INTELLECTUAL PROPERTY**

***Ownership***

**10.1** Each Party will solely own any invention it solely invents. The Parties will jointly own any invention they jointly invent. Allergan will have the exclusive right to use and commercialize (including by way of license or transfer of rights) any joint invention in the Allergan Field, and Pieris will have the exclusive right to use and commercialize (including by way of license or transfer of rights) any joint invention in the field of [\*\*\*]. In all other fields [\*\*\*], no Party will be entitled to use or commercialize (including by way of license or transfer of rights) any joint invention without the consent of the other Party.

**10.2** Notwithstanding the preceding section (Section 10.1), Allergan will solely own all inventions Allergan invents alone or jointly with Pieris relating to [\*\*\*], whether [\*\*\*] or other [\*\*\*].

**10.3** Subject to the restrictions applicable to Modified Compounds as set forth in Section 3.4, Allergan hereby grants to Pieris an exclusive license, with the right to sublicense, to make, have made, use, sell, offer for sale, and import in the field [\*\*\*] all joint inventions relating to Compounds, Lead Compounds, Development Compounds, or Licensed Products or their respective synthesis, discovery, design, or manufacture [\*\*\*]. A claim of any patent or patent application defining such inventions will be a “**Pieris Claim.**”

**10.4** Each Party will promptly disclose to the other Party any inventions that are jointly owned pursuant to Sections 10.1 and 10.2. In addition, each Party will ensure in its contracts with its employees, agents, consultants or contractors that the ownership rights set forth in Sections 10.1 and 10.2 be conferred on the other Party.

***Prosecution***

**10.5** Pieris will be responsible for drafting, prosecuting, and maintaining (all of these activities will be referred to as “**Prosecuting**”), at its expense, the Pieris Patents.

**10.6** Pieris will provide Allergan with copies of any documents received or prepared in connection with the Prosecution of the Pieris Patents which are material to Allergan’s rights hereunder and will inform Allergan of the progress of it. Before filing in connection with the Prosecution of the Pieris Patents any document with a patent office which is material to Allergan’s rights hereunder, Pieris will provide a copy of the document to Allergan sufficiently in advance of any deadline for filing it, and Pieris will give due consideration to any comments that Allergan may have. Pieris will moreover not unreasonably decline to file within the patent office of any country any claim or claim amendment (drafting a new application, if necessary) materially affecting Allergan’s rights under this Agreement that Allergan reasonably requests Pieris to file (provided that Allergan will reimburse to Pieris all reasonable external costs incurred by Pieris as a result of such request, to the extent that such costs are incurred for the purpose of filing or

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prosecuting claims covering inventions within the Allergan Field or, in relation to Modified Compounds only, covering claims within and outside of the Allergan Field), and Pieris will use commercially reasonable efforts to prosecute such claims to issuance. Allergan's request will be reasonable, and Pieris will have no reasonable grounds for declining it, if it relates to a Modified Compound, if it relates to the use (including, for example, the delivery) of a Compound in the Allergan Field, or if it relates to an application that Pieris has filed and there is support in the application for such claim (the foregoing is not an exhaustive list; there may be other requests that are reasonable), provided that the request complies with the terms of this Agreement (including Section 10.12). Any such claims will be regarded as Pieris Patents and be subject to the license granted to Allergan under Section 5 above. Pieris will not reasonably do or fail to do anything that will render any Pieris Patent unenforceable.

**10.7** The Parties will confer regarding where to Prosecute the Pieris Patents, but, at a minimum and subject to Section 10.8, Pieris will Prosecute the Pieris Patents in [\*\*\*]; Pieris will [\*\*\*].

**10.8** In the event that Pieris elects not to Prosecute in any country any Patent Right under the Pieris Patents, including an application containing a claim that Allergan reasonably requests Pieris to file under Section 10.6, Pieris will give Allergan at least [\*\*\*] days notice before any relevant deadline and provide to Allergan all information reasonably relating to such Patent Right. Allergan will have the right, exercisable within [\*\*\*] days of such notice, to take an assignment and to control the further Prosecution of such Patent Right, at Allergan's expense, provided that Pieris will retain a royalty-free, milestone-free, irrevocable, non-exclusive license (with the right to sub-license) to such Patent Right in the Pieris Field.

**10.9** The Parties will confer regarding the desirability of seeking in any country any supplemental patent protection (e.g., such as that afforded by a supplemental patent certificate) or patent term extension in connection with any Pieris Patent or any Pieris Claim. Pieris will, however, not be obliged to seek Allergan's consent to apply or not to apply for any such extension or protection for any Pieris Patent and Allergan will not apply for any such extension or protection for any Pieris Patent without Pieris' prior written consent. Allergan may, however, apply for any patent term extension or supplemental patent protection for any Pieris Claim without Pieris's consent, and may request that Pieris apply for such extension or protection, in which case Pieris will do so, in return for which Allergan will reimburse to Pieris all reasonable external costs incurred by Pieris for the application.

**10.10** Allergan may apply for any patent term extension or supplemental patent protection without Pieris's consent for any Pieris Patent specifically relating to a Modified Compound or its manufacture or use [\*\*\*], and may request that Pieris apply for such extension or protection, in which case Pieris will do so, in return for which Allergan will reimburse to Pieris all reasonable external costs incurred by Pieris for the application, so long as such application (whether by Allergan or Pieris) does not preclude Pieris from obtaining for a Pieris Patent a patent term extension or supplemental patent protection with respect to a) [\*\*\*] and [\*\*\*]; or b) any Anticalin, other than a Modified Compound, that Pieris, whether by itself or through a third party (such as, e.g., a licensee), is testing in a human clinical trial or is selling to the public.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**10.11** Allergan will be responsible for Prosecuting, at its expense, Patent Rights claiming joint inventions. Allergan will provide Pieris with copies of any documents received or prepared in connection with the Prosecution of the Patent Rights claiming joint inventions and will inform Pieris of the progress of it. Before filing any document with a patent office in connection with the Prosecution of such Patent Rights, Allergan will provide a copy of the document to Pieris sufficiently in advance of any deadline for filing it, and Allergan will give due consideration to any comments that Pieris may have. The foregoing notwithstanding, Allergan will not reasonably do or fail to do anything that will render any such Patent Rights unenforceable.

**10.12** Notwithstanding Section 10.11, Allergan will not be entitled to use any Data for the purposes of or in connection with any patent application which includes patent claims outside of the Allergan Field.

**10.13** In the event that Allergan elects not to Prosecute in any country any Patent Rights claiming joint inventions, Allergan will give Pieris [\*\*\*] days notice before any relevant deadline and provide to Pieris all information reasonably relating to Patent Rights. Pieris will have the right, exercisable within [\*\*\*] days of such notice, to take an assignment and to control the further Prosecution of such Patent Right, at Pieris' expense, provided that (i) Allergan will retain a royalty-free, milestone-free, irrevocable, non-exclusive license (with the right to sub-license) to such Patent Right in the Allergan Field and (ii) such Patent Right will be regarded as "Pieris Claim" for the purposes of Section 6.

**10.14** Each Party will, and will cause its employees, agents, consultants and contractors to, execute such documents and take such other actions as reasonably necessary or appropriate to enable the other Party to document its ownership in, or Prosecute, Patent Rights in accordance with the provisions of this Section 10.

#### ***Infringement by Third Parties***

**10.15** The Parties will promptly notify each other of any actual or threatened infringement of the Pieris Patents and of any Pieris Claims solely owned by Pieris or jointly owned by the Parties.

**10.16** Allergan will have the exclusive right to bring and control, at its expense, any proceeding before any government or private tribunal ("**Infringement Action**") to remedy the infringement of any Pieris Patent or Pieris Claim in the Allergan Field. Pieris will have the right, at its own expense and by counsel of its choice, to be represented in any such action. Allergan will be entitled to [\*\*\*] of any recovery realized as a result of any such Infringement Action ([\*\*\*]).

**10.17** Pieris will have the exclusive right to bring and control, at its expense, any Infringement Action to remedy the infringement of any Pieris Patent or Pieris Claim in the Pieris Field. Allergan will have the right, at its own expense and by counsel of its choice, to be represented in any such action. Pieris will be entitled to [\*\*\*] of any recovery realized as a result of any such Infringement Action ([\*\*\*]).

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

***Infringement of Third-Party Rights***

**10.18** The Parties will promptly notify each other of any allegation that any activity pursuant to this Agreement infringes or may infringe the intellectual property rights of any third party.

**10.19** In any allegation that the manufacture or sale of Licensed Products infringes an intellectual property right, Allergan will have the exclusive right to control, at its expense, the defense of any claim involving such allegation.

**10.20** The Parties will cooperate in all respects with one another in prosecuting or defending any action pursuant to this section.

**11. CONFIDENTIALITY AND PUBLICATION**

**11.1** During the term and for [\*\*\*] years thereafter each Party will not disclose or use any Confidential Information unless allowed to do so under this Agreement. Each Party will promptly notify the other on discovering any unauthorized disclosure or use of Confidential Information.

**11.2** The obligations of non-disclosure and non-use contained in this section will not apply to the extent that the Party receiving the Confidential Information can establish that

- a) the information is publicly known, or becomes publicly known through no breach of this Agreement;
- b) the Party knew the information before receiving it from the disclosing Party;
- c) the Party received the information from a third party not bound to the disclosing Party by any obligation of non-disclosure;
- d) the Party independently develops the information without using any Confidential Information; or
- e) the Party is required to disclose the information by law, provided that the Party i) as soon as practical before the disclosure, notifies the other Party; and ii) takes all reasonable steps to limit the disclosure.

**11.3** This Agreement and its terms will be considered Confidential Information of both Parties. Unless required by law, neither Party may make any public announcement relating to this Agreement or the activities that the Parties conduct pursuant to it, without prior written consent of the other Party, such consent not to be unreasonably withheld. Pieris will be allowed to issue a press release in connection with the signing of this Agreement. The details of such press release will be agreed with Allergan prior to its release.

**11.4** Should a Party wish to publish any research relating to this Agreement or that otherwise contains Confidential Information, the Party will submit a copy of the proposed publication to the JDC and the other Party at least [\*\*\*] days before submitting the publication to a journal or other forum or otherwise disclosing it. The JDC and the reviewing Party may [\*\*\*].

**11.5** Neither Party may use the name or mark of the other Party without prior written consent of the other Party.

***Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**12. REPRESENTATIONS AND WARRANTIES**

**12.1** Each Party represents to the other that as of the Effective Date:

- a) it is duly organized and validly existing under the laws of its state of incorporation and has full authority to enter into this Agreement;
- b) the execution and performance of this Agreement does not conflict with any other agreement, oral or written, to which it is a party.

**12.2** Pieris represents that as of the Effective Date:

- a) it is the sole owner of the Pieris Patents listed in Exhibit B and has sufficient rights to grant the licenses of Section 5;
- b) to its knowledge, no third party has any rights in the Pieris Patents, any Pieris Know-How disclosed hereunder, or any Compounds that would impair Allergan's rights under this Agreement;
- c) there are no unresolved claims that Pieris's manufacture, use, sale, offer for sale, or importation of any Compound infringes or may infringe any third party patents or other intellectual property right;
- d) the Pieris Patents are applied or registered as indicated in Exhibit B, and are not the subject of any interference or opposition proceeding or any litigation;
- e) it has disclosed to Allergan in Exhibit E [\*\*\*]; and
- f) has disclosed to Allergan all patents and patent applications which Pieris knows would be infringed by the use, sale, offer for sale, manufacture, or importation of Compounds.

**12.3** Except for the warranties set forth in Sections 12.1 and 12.2, neither Party makes any warranties, written, oral, express or implied, under this Agreement, and each Party disclaims all other warranties, express or implied, including, without limitation, implied warranties of merchantability, fitness for a particular purpose and non-infringement.

**12.4** EXCEPT FOR THOSE CLAIMS OF A THIRD PARTY AS MAY BE PAYABLE PURSUANT TO THIS AGREEMENT, PIERIS WILL NOT BE LIABLE TO ALLERGAN FOR ANY INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES, WHETHER LIABILITY IS ASSERTED IN CONTRACT, TORT, OR OTHERWISE. IN ANY EVENT, PIERIS TOTAL AGGREGATE LIABILITY UNDER THIS AGREEMENT WILL BE LIMITED TO THE PAYMENTS ACTUALLY RECEIVED FROM ALLERGAN PURSUANT TO SECTION 6.

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**13. INDEMNIFICATION**

**13.1** Allergan will defend, indemnify and hold Pieris, its officers, directors, employees and agents harmless from any losses, damages, or expenses (including reasonable attorneys' and professional fees and other expenses of litigation) arising out of claims brought by a third party as a result of activities of Allergan under this Agreement, except to the extent such losses, damages, or expenses are caused by or result from the negligent or intentional acts or omissions of Pieris, its officers, directors, agents, or employees, or are caused by or result from the material breach by Pieris of this Agreement.

**13.2** Pieris will defend, indemnify and hold Allergan, its officers, directors, employees and agents harmless from any losses, damages, or expenses (including reasonable attorneys' and professional fees and other expenses of litigation) arising out of claims brought by a third party as a result of any negligent or intentional acts or omissions of Pieris, its officers, directors, agents, or employees, or any material breach by Pieris of this Agreement.

**14. General Provisions**

**14.1 Governing Law.** This Agreement will be governed by the laws of England and Wales.

**14.2 Disputes.** In the event of any controversy, claim or counterclaim arising out of or in relation to this Agreement (other than those disputes subject to the resolution procedure described in Section 2.4), the Parties will first attempt to resolve such controversy or claim through good-faith negotiation between Pieris' CEO and Allergan's Executive Vice President, Research and Development, for a period of not less than [\*\*\*] days following written notification of such controversy or claim to the other Party. If such controversy or claim cannot be resolved by means of such negotiations during such period, then it will be [\*\*\*]. [\*\*\*].

**14.3 Notices.** Any notice made pursuant to this Agreement will be effective only if made in writing and delivered to all of the addresses below:

***If to Pieris:***

1. Chief Executive Officer  
Pieris AG  
Lise-Meitner-Straße 30  
85354 Freising-Weihenstephan  
Germany  
+49 (0) 8161 14 11 444 fax  
+49 (0) 8161 14 11 400 tel.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***



***If to Allergan:***

- |  |   |
|--|---|
| <p>1. Exec. Vice President, Research and Development<br/>Allergan, Inc.<br/>2525 Dupont Drive<br/>Irvine, California, 92623<br/>(714) 246-4971 fax<br/>(714) 246-4919 tel.</p> <p>3. Allergan Sales, LLC<br/>2525 Dupont Drive<br/>Irvine, California, 92623</p> | <p>2. General Counsel<br/>Allergan, Inc.<br/>2525 Dupont Drive<br/>Irvine, California, 92623<br/>(714) 246-4971 fax<br/>(714) 246-4535 tel.</p> <p>4. Allergan Pharmaceuticals Holdings (Ireland) Ltd<br/>Longphort House, Earlsfort Centre<br/>Lower Leeson Street<br/>Dublin 2, Ireland</p> |
|--|---|

The notice will be effective upon delivery. A Party may change the delivery addresses by notice to the other Party.

**14.4 Entire Agreement.** This Agreement embodies the entire agreement between the Parties and supersedes any prior agreements between them (including, in particular, [\*\*\*]). This Agreement may be modified in writing only.

**14.5 Non-Waiver.** The failure of a Party in any one or more instances to insist upon strict performance of any terms of this Agreement will not constitute a waiver of the right to assert such terms on any future occasion.

**14.6 Disclaimer of Agency.** Neither Party is the representative of the other, and neither Party has the authority to bind the other Party to any obligation to any third party.

**14.7 Severability.** If a court or government agency of competent jurisdiction holds that any provision of this Agreement is invalid or unenforceable, then that provision will be severed and the remainder of the Agreement will continue in full force. To the extent possible, the Parties will revise such severed provision in a manner that comes closest to the original intention of the Parties and will render it valid.

**14.8 Assignment.** Either Party may assign this Agreement as part of a sale of substantially all of the Party's capital stock or assets. Neither Party may assign its interest in this Agreement in whole or in part for any other reason without the prior written consent of the other Party, such consent not to be unreasonably withheld. The foregoing notwithstanding, either Party may assign this Agreement, in whole or in part, to any of its Affiliates.

**14.9 Force Majeure.** Neither Party will be liable for any failure to perform any obligation of this Agreement caused by the effects of fire, earthquake strike, war (declared or undeclared), insurrection, government action or inaction, force majeure, or other causes reasonably beyond its control and without its fault, but the Party failing to perform will use all reasonable efforts to resume performance of this Agreement as soon as feasible.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**14.10 Counterparts.** This Agreement may be executed in two or more counterparts and transmitted to each Party by facsimile, email, or any other means, and each such counterpart, when executed, will be as effective an original copy, and together the counterparts will constitute one document.

**14.11** Whenever the deadline for taking any action under this Agreement falls on a Saturday, Sunday, or bank holiday, a Party may, without penalty, take that action on the succeeding day that is not a Saturday, Sunday, or bank holiday.

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

The Parties execute this Agreement by signing below:

**ALLERGAN SALES, LLC**

By: /s/ David M. Lawrence  
Name: David M. Lawrence  
Title: Vice President

**ALLERGAN, INC.**

By: /s/ Scott M. Whitcup, M.D.  
Name: Scott M. Whitcup  
Title: Executive Vice President,  
Research and development

**PIERIS AG**

By: /s/ Claus Schalper  
Name: Claus Schalper  
Title: CEO / CFO

**ALLERGAN PHARMACEUTICAL HOLDINGS (IRELAND) LTD.**

By: /s/ Jim Hindman  
Name: Jim Hindman  
Title: Managing Director

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT A

ALLERGAN AND PIERIS DISCOVERY RESEARCH PLAN

Introduction

Ocular diseases, [\*\*\*].

[\*\*\*]

[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT B

PIERIS PATENTS

[\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

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EXHIBIT C

\*\*\*] \*\*\*] \*\*\*]

\*\*\*]  
\*\*\*]

\*\*\*]: \*\*\*]  
\*\*\*]

*Portions of the exhibit, indicated by the mark “\*\*\*,” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT D

[\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

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EXHIBIT E

\*\*\*

\*\*\*

*Portions of the exhibit, indicated by the mark “\*\*\*,” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



**CONFIDENTIAL TREATMENT REQUESTED****COLLABORATION AND LICENSE AGREEMENT**

This COLLABORATION AND LICENSE AGREEMENT (this "Agreement") is entered into effective as of September 24<sup>th</sup>, 2010 (the "Effective Date") by and between

**Sanofi-Aventis** ("Sanofi-Aventis") having its principal place of business at 174 avenue de France, 75013 Paris, France

and

**Sanofi-Pasteur SA** ("Sanofi-Pasteur"), having its principal place of business at 2 avenue Pont Pasteur, 69007 Lyon, France

on one side,

Sanofi-Aventis and Sanofi-Pasteur being also hereinafter collectively designated as "Sanofi"

and

**Pieris AG** ("Pieris"), having a place of business at Lise-Meitner-Str. 30, 85354 Freising, Germany,

on the other side.

Sanofi and Pieris shall also each individually be referred to herein as a "Party", and shall be referred to jointly as the "Parties".

**RECITALS**

WHEREAS, the Parties desire to collaborate upon a research and development project for the purpose of using Pieris' proprietary Anticalin® technology to discover and optimize certain Program Compound(s) (as defined below).

WHEREAS, the Parties intend that Sanofi shall have exclusive right to Program Compounds generated within a Program for further development and commercialization of Licensed Compound(s) and Licensed Product(s) within the Field (as defined below) against the payment of milestones and royalties to Pieris.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants set forth below, the Parties hereby agree as follows:

**SECTION 1  
DEFINITIONS**

For purposes of this Agreement, the terms defined in this Section 1 and used in the Agreement with a capital initial letter shall have the respective meanings set forth below. Unless the context clearly and unambiguously requires otherwise, references to the singular include the plural and vice versa.

1.1 “Affiliate” shall mean, with respect to any person or entity, any other person or entity, which directly or indirectly controls, is controlled by, or is under common control with, such person or entity. A person or entity shall be regarded as in control of another person or entity if it owns, or directly or indirectly controls, more than fifty percent (50%) of the voting stock or other ownership interest of the other person or entity, or if it directly or indirectly possesses the power to direct or cause the direction of the management and policies of the other person or entity by any means whatsoever.

1.2 “Anticalin” shall mean any protein derived from any lipocalin by Pieris’ proprietary technology of selecting a [\*\*\*] lipocalin mutein [\*\*\*] as defined by the Pieris Background IP.

1.3 “Anticalin Technology” shall mean the Anticalin technology Pieris will apply to each Program, as defined in Exhibit 1.3 (as such Exhibit may be updated for some or all Programs to include Anticalin Technology Improvement IP that has been agreed by the Parties to be applied under Phase A of any Program, as described in Section 6.3.1(b)).

1.4 “Anticalin Technology Improvement IP” shall mean any Intellectual Property [\*\*\*] of any Program, while working on such Program, that (i) [\*\*\*] and (ii) [\*\*\*].

1.5 “BLA/NDA” shall mean a Biologics License Application, New Drug Application, Product License Application or any similar application for Marketing Authorization submitted to the FDA or any comparable application for Marketing Authorization in any other country.

1.6 “[\*\*\*]” shall mean [\*\*\*].

1.7 “Commercially Reasonable and Diligent Efforts” shall mean the level of effort, budget and resources normally used by a company of [\*\*\*] for a product or compound owned or controlled by it, which is of similar market potential and at a similar stage in its development or product life, taking into account with respect to a product issues of safety and efficacy, product profile, the proprietary position of the product, the then-current competitive environment for the product and the likely timing of the product(s) entry into the market, the regulatory environment of the product and other relevant scientific technical and commercial factors. For the avoidance of doubt, the fact that [\*\*\*] shall not constitute a factor to be taken into account in the determination of “Commercially Reasonable and Diligent Efforts”.

1.8 “Confidential Information” shall have the meaning set forth in Section 8.1.

1.9 “Control” (whether used as a noun or as a verb) shall mean, with respect to a Party, the ownership of, or possession of the ability to license or sublicense, Intellectual Property, in any case without violating the terms of any agreement binding on such Party.

1.10 “Development Plan” shall mean a written development work plan relating to a Program which describes the work to be performed [\*\*\*]. Any Development Plan shall cover the aspects and activities described in Exhibit 1.10, to the extent appropriate with respect to the concerned Licensed Compound(s) and subject to Sections 4.2 and 4.4.

1.11 “[\*\*\*]” shall mean [\*\*\*].

***Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

1.12 “EMA” shall mean the European Medicines Agency or any successor agency thereto.

1.13 “Effective Date” shall have the meaning set forth in the introductory paragraph of the Agreement.

1.14 “FDA” shall mean the United States Food and Drug Administration or any successor agency thereto.

1.15 “Field” shall mean any use of any Licensed Compound and/or Licensed Product for [\*\*\*].

1.16 “[\*\*\*]” shall mean, with respect to a Licensed Product, [\*\*\*]. For the avoidance of doubt, [\*\*\*].

1.17 “Foreground IP” shall mean any Intellectual Property conceived, developed or reduced to practice in connection with the activities performed under this Agreement.

1.18 “FTE” shall mean the equivalent of [\*\*\*] full-time researcher of Pieris involved in [\*\*\*] of a Program, taking into consideration statutory holidays and paid annual leave.

1.19 “[\*\*\*]” shall mean [\*\*\*].

1.20 “[\*\*\*]” shall mean [\*\*\*] which shall be defined in more detail in the Program Plan of each Program initiated by Sanofi pursuant to Section 2.6(b).

1.21 “[\*\*\*]” shall mean [\*\*\*].

1.22 “Indication” shall mean [\*\*\*].

1.23 “[\*\*\*] Program” shall mean any Program comprising one or more Anticalins or [\*\*\*] directed against a Target [\*\*\*].

1.24 “Intellectual Property” shall mean, with respect to any product or technology, (a) all Patent Rights which claim or cover such product technology, (b) all other intellectual property rights relating to such product or technology, including without limitation legally protected trade secrets, copyrights, trademarks and other intellectual property rights of any kind, and (c) all Know-How relating to such product or technology.

1.25 “Know-How” shall mean any information and materials, whether proprietary or not and whether patentable or not, including without limitation ideas, concepts, formulas, methods, protocols, procedures, knowledge, know-how, trade secrets, processes, assays, skills, experience, techniques, designs, compositions, plans, documents, results of experimentation and testing, including without limitation, pharmacological, toxicological, and pre-clinical and clinical test data and analytical and quality control data, improvements, discoveries, works of authorship, compounds and biological materials, which are non-obvious in view of the literature, confidential, substantial and identified in any appropriate form, and communicated by one Party to the other hereunder.

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1.26 “Licensed Compound” shall mean any [\*\*\*] in connection with the corresponding Program, for as long as (i) [\*\*\*] pursuant to Section 4.3 and (ii) [\*\*\*] pursuant to Section 4.

1.27 “Licensed Product” shall mean any product which comprises at least [\*\*\*] Licensed Compound[\*\*\*] under this Agreement. For the avoidance of doubt, [\*\*\*].

1.28 “Marketing Authorization” shall mean collectively any Contingent Marketing Authorization or any Non-Contingent Marketing Authorization.

1.28.1 “Contingent Marketing Authorization” shall mean any approval (including all applicable pricing and governmental reimbursement approvals) required from the relevant Regulatory Authority to market and sell a Licensed Product in a particular country or jurisdiction, which approval (i) under FDA jurisdiction is pursuant to 21 CFR 314.510 (Subpart H) for new drug applications (NDAs) or 21 CFR 601.41 (Subpart E) for biologics license applications (BLAs) or (ii) under EMA jurisdiction is a “conditional approval” where the EMA Committee for Medicinal Products for Human Use (CHMP) adopts a positive opinion on data which, while not yet comprehensive, indicate that the medicine’s benefits outweigh its risks. For the avoidance of doubt, the requirement by the FDA (or any foreign equivalent) to conduct a “Risk Evaluation & Mitigation Strategy” under the Food and Drug Administration Amendments Act (FDAAA) of 2007 (as amended from time to time) as part of such approval shall, without more, not render the approval as a Contingent Marketing Authorization.

1.28.2 “Non-Contingent Marketing Authorization” shall mean any approval (including all applicable pricing and governmental reimbursement approvals) required from the relevant Regulatory Authority to market and sell a Licensed Product in a particular country or jurisdiction, which approval is not a Contingent Marketing Authorization.

1.29 “Net Sales” shall mean, with respect to any Licensed Product sold by a Sanofi Party to any party who is not a Sanofi Party, the price, converted in Euros pursuant to Section 5.10.1, invoiced by such Sanofi Party to the Third Party (or in the case of a sale or other disposal otherwise than at arm’s length, the price which would have been invoiced in a bona fide arm’s length contract or sale) but deducting

- (i) [\*\*\*];
- (ii) [\*\*\*];
- (iii) [\*\*\*];
- (iv) [\*\*\*];
- (v) [\*\*\*];
- (vi) [\*\*\*].

(a) In the event that the Licensed Product is sold in the form of a [\*\*\*], Net Sales will be determined by multiplying actual Net Sales [\*\*\*] If, on a [\*\*\*] basis, the [\*\*\*], Net Sales shall be determined by multiplying actual [\*\*\*] in accordance with the Third Party expert proceedings set forth in Section 13.3.4).

(b) In the event that the Licensed Product [\*\*\*], Net Sales shall be determined by a multiplying actual Net Sales of such [\*\*\*], by a neutral Third Party in the absence of such mutual agreement, by a neutral Third Party in accordance with the Third Party expert proceedings set forth in Section 13.3.4), provided, however, that (i) [\*\*\*] and (ii) Pieris shall at all times be entitled to receive at least a royalty of [\*\*\*] calculated in accordance with the first paragraph of this Section 1.29.

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For the avoidance of doubt, (a) and (b) shall apply cumulatively.

1.30 "Patent Rights" shall mean, with respect to any technology or product, (a) all patent applications heretofore or hereafter filed or having legal force in any country to the extent and only to the extent they claim or cover such technology or product or the use thereof, (b) all patents that have issued or in the future issue from such applications, including without limitation utility, model and design patents and certificates of invention, and (c) all divisionals, continuations, continuations-in-part, supplemental protection certificates, reissues, reexaminations, renewals, extensions or additions to any such patent applications and patents.

1.31 "Phase I Clinical Trial" shall mean one or more human clinical studies in any country designed to evaluate the safety, tolerability and pharmacokinetics effect of a drug in volunteer subjects or patients that would satisfy the requirements of 21 CFR 312.21(a), or other comparable regulation imposed by the FDA, the EMA or their foreign counterparts.

1.32 "Phase II Clinical Trial" shall mean one or more controlled human clinical studies conducted to evaluate the effectiveness of the drug for a particular indication in patients with the disease or condition under study and/or to determine the common short-term side effects and risks associated with a drug that would satisfy the requirements of 21 CFR 312.21(b) or other comparable regulation imposed by the FDA, the EMA or their foreign counterparts.

1.33 "Phase III Clinical Trial" shall mean one or more expanded human clinical studies intended to gather additional information about effectiveness and safety needed to evaluate the overall benefit-risk relationship of a drug for a particular indication that would satisfy the requirements of 21 CFR 312.21(c) or other comparable regulation imposed by the FDA, the EMEA or their foreign counterparts. For the avoidance of doubt, a "Phase III Clinical Trial" may encompass multiple studies to be performed at different clinical sites.

1.34 "Phase A" shall mean, under each Program, the phase that [\*\*\*].

1.35 "Phase B" shall mean, under each Program, [\*\*\*] of this Agreement.

1.36 "PhD" shall mean any employee or other individual acting on behalf of or for the account of Pieris that has a university degree (such as a PhD or a diploma).

1.37 "Pieris Background IP" shall mean Pieris Background Know-How and Pieris Background Patent Rights.

1.38 "Pieris Background Know-How" shall mean all Know-How Controlled by Pieris as of the Effective Date related to the Anticalin Technology.

1.39 "Pieris Background Patent Rights" shall mean, individually and collectively, all Patent Rights listed in Exhibit 1.39 (as such Exhibit may be updated for some or all Programs to include Anticalin Technology Improvement IP that have been agreed by the Parties to be applied under Phase A of any Program, as described in Section 6.3.1(b)).

1.40 "Pieris Foreground IP" shall mean all Foreground IP [\*\*\*].

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1.41 "Pieris Licensed IP" shall mean the Pieris Background IP and the Pieris Foreground IP.

1.42 "Pieris Valid Patent Claim" shall mean, with respect to the Patent Rights to which Sanofi has been granted license rights under Section 6.3, a claim of an issued and unexpired patent, which claim has not been held invalid or unenforceable in a final decision of a court or administrative authority of competent jurisdiction from which decision no appeal may be taken, and, for those jurisdictions where re-issue, re-examination, disclaimer or similar proceedings are available, which claim has not been disclaimed or admitted or determined to be invalid or unenforceable through reissue, re-examination, disclaimer or otherwise.

1.43 "Program" shall mean a therapeutic Anticalin research, development and/or commercialization program comprising either (i) one or more Anticalins directed against a Target or (ii) a [\*\*\*].

1.44 "Program Compound" shall mean, for each Program, (i) [\*\*\*] which is conceived, reduced to practice and/or developed [\*\*\*] and which [\*\*\*]) in accordance with the specifications agreed under the relevant Program Plan (as well as any fragments or derivatives thereof); and (ii) [\*\*\*].

1.45 "Program Plan" shall mean the written research work plan agreed between the Parties pursuant to Section 2.3 which defines (i) the work to be performed in Phase A of the relevant Program, (ii) [\*\*\*], (iii) [\*\*\*], and (iv) [\*\*\*] [\*\*\*]. The Program Plan for the first two Targets is attached hereto as Exhibit 1.45.

1.46 "Program Request" shall have the meaning set forth in Section 2.1.

1.47 "Program Response" shall have the meaning set forth in Section 2.2.

1.48 "Program Term" shall have the meaning set forth in Section 12.2.

1.49 "Regulatory Authority" shall mean the FDA, the EMA or any supranational, national or local agency, authority, department, inspectorate, minister, ministry official, parliament or public or statutory person (whether autonomous or not) of any government of any country having jurisdiction over any of the activities contemplated by this Agreement or the Parties, or any successor bodies thereto.

1.50 "Royalty Term" shall have the meaning set forth in Section 5.8.

1.51 "Sanofi Background IP" shall mean all Intellectual Property Controlled by Sanofi or any of its Affiliates which has been introduced by Sanofi into a Program.

1.52 "Sanofi Foreground IP" shall mean all Foreground IP [\*\*\*].

1.53 "Sanofi Party" shall mean Sanofi, its Sublicensee(s) and any of Sanofi's or Sublicensee's Affiliates.

1.54 "Sanofi Valid Patent Claim" shall mean, with respect to the Patent Rights to which Sanofi has been granted license rights under Section 12.5.6, a claim of an issued and unexpired patent, which claim has not been held invalid in a final decision of a court

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or administrative authority of competent jurisdiction from which no appeal may be taken, and which claim has not been disclaimed or admitted to be invalid or unenforceable through reissue or otherwise.

1.55 “Steering Committee” shall mean the committee established pursuant to Section 11.1 for the purpose of (a) directing, coordinating and supervising the research and development program under a Program until the commencement of the first Phase I Clinical Trial under such Program, and (b) exchanging information and strategies regarding Sanofi’s further research, development and commercialization of Licensed Products under a Program after the commencement of the first Phase I Clinical Trial under such Program.

1.56 “Sublicensee” shall have the meaning set forth in Section 6.3.2(b).

1.57 “Success Criteria” shall mean the success criteria [\*\*\*] a Program Plan [\*\*\*], which shall be agreed in the relevant Program Plan.

1.58 “[\*\*\*]” shall mean, [\*\*\*] concerning a Program, the [\*\*\*]. For the purpose of the preceding sentence, “[\*\*\*]” shall mean [\*\*\*]; whether [\*\*\*] shall be agreed between the Parties prior to the initiation of the relevant clinical trial. For the avoidance of doubt, [\*\*\*] in accordance with the above definition, then “[\*\*\*]” shall have occurred [\*\*\*].

1.59 “Target” shall mean, for each Program, [\*\*\*]. Accordingly, a Target may be [\*\*\*], such as [\*\*\*], but a Target may not [\*\*\*]. By way of example, a Target may comprise [\*\*\*].

1.60 “Terminated Program” shall have the meaning set forth in Section 12.5.

1.61 “Territory” shall mean [\*\*\*].

1.62 “Third Party” shall mean any entity or person other than Sanofi or Pieris or their respective Affiliates.

## SECTION 2 TARGET SELECTION AND PROGRAM INITIATION

2.1 Program Request by Sanofi. For each Program that Sanofi wishes to initiate as permitted under Section 2.6 of the Agreement, Sanofi shall submit to Pieris a Program and license request on a signed copy of the Program Request Form set forth in Exhibit 2.1, specifying the proposed Target (or [\*\*\*]) in as much detail as is reasonably possible (“Program Request”).

2.2 Program Response by Pieris. Pieris shall promptly review each Program Request and shall provide a written notice to Sanofi within [\*\*\*] days after its receipt of such Program Request, specifying whether or not the requested Program and license is available (“Program Response”). Provided that the Target proposed by Sanofi is not the subject matter of, [\*\*\*] or (ii) [\*\*\*], Pieris shall confirm, counter-sign and return to Sanofi the Program Request, and such Target shall, retroactively upon the day of the Program Request, be automatically licensed to Sanofi as specified in Section 6.3.

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2.3 Establishment of Program Plan. If Pieris issues a positive Program Response pursuant to Section 2.2 above, the Steering Committee shall agree in good faith on a Program Plan in relation to the relevant Program in accordance with Section 11.1.2(a). The Program Plan shall be signed by authorized representatives of both Parties. Following the execution of the Program Plan, the Program Plan may [\*\*\*] be amended by (i) [\*\*\*] or (ii) [\*\*\*].

2.4 Replacement Option of Sanofi. If (i) Pieris issues a negative Program Response pursuant to Section 2.2 or (ii) the Steering Committee cannot agree on a Program Plan pursuant to Section 2.3 within [\*\*\*] days from a positive Program Response, Sanofi shall have the right to replace the affected Program proposal by submitting a Program Request for a different Target ([\*\*\*]). In the event of any such replacement, Sections 2.1 to 2.4 shall apply accordingly to the replacement Program proposed by Sanofi.

2.5 Replacement Option for [\*\*\*] Programs. If a Program is an [\*\*\*] Program and if, [\*\*\*], the Licensed Compound(s) selected by Sanofi [\*\*\*], Sanofi will be allowed to replace the original Program by a Program relating to another Target ([\*\*\*]). The above replacement option must be exercised by Sanofi within [\*\*\*] months following [\*\*\*]. Sections 2.1 to 2.4 shall apply accordingly to Sanofi's proposal for the replacing Program. [\*\*\*].

2.6 Allocation of Committed and Optional Programs.

(a) Prior to the Effective Date, Sanofi has submitted to Pieris two (2) Program Requests and Pieris has issued two (2) positive Program Responses. Those two (2) Programs are listed in Exhibit 2.6.

(b) Sanofi shall have the right (but not the obligation) to propose (i) one (1) or two (2) Program Requests between the [\*\*\*] anniversary and the [\*\*\*] anniversary of the Effective Date and (ii) one (1) or two (2) further Program Requests between the [\*\*\*] and the [\*\*\*] anniversary of the Effective Date (and if Pieris issues a negative Program Response pursuant to Section 2.2 for any of these Program Requests, then Sanofi shall have the right to promptly submit a replacement request in accordance with Section 2.4 until Pieris issues a respective positive Program Response).

**SECTION 3**

**PHASE A - GENERATION OF PROGRAM COMPOUND(S) BY PIERIS**

3.1 Goal of Phase A. Under each Program, the goal of Phase A is to discover, research and develop one or more Program Compounds from which Sanofi may further develop and commercialize the Licensed Product(s). Unless otherwise agreed in the relevant Program Plan, Phase A of each Program shall commence upon a positive Program Response by Pieris.

3.2 Conduct of Phase A Research. In Phase A of each Program, Pieris shall use its [\*\*\*] to discover, research, develop and deliver to Sanofi one or more Program Compounds that meet the Success Criteria agreed under such Program.

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3.3 Support Obligations of Sanofi. Sanofi shall (i) provide all reasonable assistance to Pieris in connection with Pieris' performance of its obligations under the Program Plan ([\*\*\*]) and (ii) provide to Pieris such materials and information required to be provided by Sanofi under the Program Plan. Pieris shall use such materials and information only to perform its obligations and permitted activities under the Program Plan or this Agreement.

3.4 Results and Reporting Under Phase A. Pieris shall keep Sanofi fully informed as to its progress, results, status and plans for performing and implementing the Program Plan. Such information shall be given during the quarterly Steering Committee meetings or more often, as necessary. Upon the completion of Phase A, Pieris will deliver to Sanofi [\*\*\*] Program Compound(s) generated during Phase A, as further specified in the Program Plan, and provide to Sanofi a written summary report of its Phase A activities.

3.5 Maintenance of Records. Pieris shall maintain records, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall reflect the work done and the results achieved in the performance of the Program [\*\*\*]. Pieris shall also keep appropriate records of the FTEs utilized for a Program and the costs associated therewith, and evidence that the work was conducted at a professional standard accepted in the scientific community in accordance with the requirements of the Program Plan. Pieris shall make such records available for inspection upon reasonable written request of Sanofi (but not more than twice per calendar year and not more than once in relation to the same time period) for the purpose of ensuring Pieris' compliance with its research obligations hereunder. Upon request by Sanofi, Pieris shall deliver to Sanofi copies of all records described in this Section, provided that Sanofi shall reimburse Pieris for reasonable costs incurred in providing such copies to Sanofi. This obligation shall survive any termination of a Program for a period of [\*\*\*] years following such termination.

3.6 Termination by Pieris. Pieris shall be entitled to terminate its research and development activities under Phase A under any Program if [\*\*\*]. Unless otherwise agreed in the relevant Program Plan, [\*\*\*].

3.7 End of Phase A. For each Program, Pieris' obligation to use [\*\*\*] to discover, research, develop and deliver Program Compounds to Sanofi shall end upon the date that (i) Pieris has completed delivery of one or more Program Compound(s) [\*\*\*] or (ii) [\*\*\*] or (iii) [\*\*\*].

#### **SECTION 4 PHASE B – DEVELOPMENT AND COMMERCIALIZATION BY SANOFI**

4.1 Decision Point for Sanofi. Following the end of Phase A of each Program, Sanofi shall inform Pieris by written notice within [\*\*\*] days whether it wishes to enter into Phase B of the relevant Program. In the event that [\*\*\*]. In such event, [\*\*\*].

4.2 Development by Sanofi. If Sanofi informs Pieris in writing that it wishes to enter into Phase B in accordance with Section 4.1 above, (i) the Steering Committee shall review and comment on the Development Plan established by Sanofi for the development of one or more Licensed Products under Phase B of such Program and (ii) Sanofi shall use Commercially Reasonable and Diligent Efforts to develop [\*\*\*] Licensed Product in [\*\*\*] in accordance with the Development Plan.

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4.3 Selection [\*\*\*] of Licensed Compound(s). If Pieris has delivered more than one Program Compound during Phase A, then Sanofi shall select one or more Program Compound(s) to become the "Licensed Compound(s)" within [\*\*\*] days of its decision to enter Phase B by delivery of written notice to Pieris identifying the applicable Program Compound(s). Notwithstanding the foregoing, [\*\*\*].

4.4 Results and Reporting by Sanofi. During Phase B of each Program, Sanofi shall keep Pieris reasonably informed as to its progress, results, status and plans for performing the development under Phase B by delivering to Pieris a written report no later than [\*\*\*] days following the end of [\*\*\*]. Each such written report shall be sufficiently detailed to demonstrate that Sanofi continues to apply Commercially Reasonable and Diligent Efforts in relation to the relevant Program in accordance with the Development Plan, which may be updated from time to time as appropriate. In addition, Sanofi shall provide Pieris with (i) [\*\*\*] and (ii) upon request of Pieris [\*\*\*], [\*\*\*].

4.5 Remedy for Failing to Meet Obligations; Procedure. In the event that Pieris believes that Sanofi has failed to comply with its diligence obligations under Section 4.2, Pieris shall notify Sanofi in writing, [\*\*\*] upon the expiration of the [\*\*\*] day period provided within Section 12.3.2, unless Sanofi (i) has remedied the alleged failure in complying with its diligence obligations within such [\*\*\*] day period (for the avoidance of doubt, "[\*\*\*]) or (ii) by written notice reasonably disputes that it has failed to comply with its diligence obligations and provides Pieris with specific documents evidencing how Sanofi complied with its diligence obligations under Section 4.2. If Pieris receives notice within the above [\*\*\*] day time period that Sanofi reasonably disputes that it has failed to comply with its diligence obligations under Section 4.2, and the Parties cannot reach agreement with respect to such Dispute (as defined in Section 13.3) as set forth in Section 13.3.1, Pieris shall [\*\*\*] this Agreement shall be terminated pursuant to Section 12.3.2 if and when [\*\*\*] there is a final determination that Sanofi has failed to comply with its diligence obligations under Section 4.2 and has not remedied its failure in complying with its diligence obligations within the above [\*\*\*] day period.

4.6 Maintenance of Records. Sanofi shall maintain records, in sufficient detail and in good scientific manner appropriate for patent and regulatory purposes, which shall reflect the work done and the results achieved in the performance the development under Phase B [\*\*\*]. This obligation shall survive any termination of a Program for a period of [\*\*\*].

4.7 Support Services by Pieris. Upon Sanofi's request, Pieris will [\*\*\*] support Sanofi in its development activities under Phase B. Any such development support shall be agreed between Sanofi and Pieris in writing and shall be charged by Pieris to Sanofi at Pieris' then-current FTE rates.

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**SECTION 5  
FINANCIAL PROVISIONS**

**5.1 Upfront Payments.**

5.1.1 Signing Fee. In consideration of the rights granted hereunder, the designation of two (2) Programs in accordance with Section 2.1 and the option to designate additional Program proposals in accordance with Section 2.6, Sanofi shall pay to Pieris an irrevocable upfront payment in the amount of three million five hundred thousand Euro (EUR 3,500,000) within [\*\*\*] days following the Effective Date.

5.1.2 Upfront Payment for Additional Programs. If and to the extent Sanofi exercises any of its options to designate additional Programs under Section 2.6(b) above, Sanofi shall pay to Pieris [\*\*\*] payments of [\*\*\*]. Each such [\*\*\*] payment shall become due and payable within [\*\*\*] days after a positive Program Response of Pieris for such Program and agreement on the Program Plan has been reached between Pieris and Sanofi.

5.1.3 Upfront Payment for Replacements of [\*\*\*] Programs. If Sanofi replaces any [\*\*\*] Program in accordance with Section 2.5 above, Sanofi shall pay to Pieris an additional irrevocable upfront payment in the amount of [\*\*\*]. Such additional upfront payment shall become due and payable within [\*\*\*] days after a positive Program Response of Pieris for the replacing Program and agreement on the Program Plan has been reached between Pieris and Sanofi.

**5.2 Research Funding.**

5.2.1 FTE Rates. Sanofi shall pay to Pieris research funding for the FTEs agreed for Phase A of a Program under the relevant Program Plan in the following amounts: (i) PhDs: [\*\*\*] Euro (EUR [\*\*\*])[\*\*\*], and (ii) technicians: [\*\*\*] Euro (EUR [\*\*\*])[\*\*\*]. The research funding shall become due and payable pro rata in advance on a calendar half-year basis (or *pro rata temporis*, where applicable) for all activities to be performed by Pieris according to the Program Plan during such calendar half-year, as set forth in the corresponding Program Plan.

5.2.2 Reference Resources Required. By way of reference, the Parties estimate that [\*\*\*] FTEs [\*\*\*] for a period of about [\*\*\*] months represents the resource required for a standard Program targeting [\*\*\*].

5.2.3 Committed Resources. Beginning on the Effective Date, Sanofi shall fund and Pieris shall devote [\*\*\*] for [\*\*\*] months of the Agreement. FTE payments for Programs other than the [\*\*\*] Programs shall become due upon the date of initiation of the relevant Phase A as defined in Section 3.1 and payable [\*\*\*] days thereafter. All subsequent payments shall become due and payable upon the respective anniversary of such initiation date.

**5.3 R&D Milestone Payments.**

5.3.1 Phase A Research Milestones. With respect to any Program initiated by Sanofi pursuant to Section 2.6(b) only (including replacement Programs for such additional Programs under Section 2.5), Sanofi shall pay to Pieris a [\*\*\*] milestone payment of [\*\*\*] Euro (EUR [\*\*\*]) per Program upon Pieris' achievement of [\*\*\*]. Such milestone payment shall become due and payable within [\*\*\*] days following Pieris' written report to Sanofi evidencing the achievement of [\*\*\*]. For the avoidance of doubt, [\*\*\*].

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5.3.2 Phase B Research Milestones. Within [\*\*\*] days of [\*\*\*] of any of the following milestone events with respect to a Licensed Compound within a Program, Sanofi shall make the following payments to Pieris on a [\*\*\*] basis (for the avoidance of doubt, [\*\*\*] [\*\*\*]). For further clarity, [\*\*\*]; [\*\*\*]):

<u>Milestone Payment</u>	<u>Milestone Event</u>
EUR [***]	[***]
EUR [***]	[***]
EUR [***]	[***]

5.4 Development Milestone Payments.

5.4.1 Development Milestone Payments for [\*\*\*]. Within [\*\*\*] days [\*\*\*] of any of the following milestone events with respect to a Licensed Product for [\*\*\*], Sanofi shall make the following payments to Pieris on a [\*\*\*] basis (for the avoidance of doubt, [\*\*\*], i.e. [\*\*\*].)

<u>Milestone Payment</u>	<u>Milestone Event</u>
EUR [***]	[***]
EUR [***]	[***]
EUR [***]	[***]
EUR [***]	[***]
EUR [***]	[***]
EUR [***]	[***]
EUR [***]	[***]

5.4.2 Milestone Payments for Contingent Marketing Authorization. Upon approval for Marketing Authorization from [\*\*\*], which would trigger a payment under Section 5.4.1 or 5.4.3, the amount due shall be reduced by [\*\*\*], to the extent the Marketing Authorization is a Contingent Marketing Authorization; and the remaining [\*\*\*] of such payment shall become due at the date at which a Non-Contingent Marketing Authorization has been granted for the relevant Licensed Product by the relevant Regulatory Authority.

5.4.3 Development Milestone Payments for [\*\*\*]. Upon [\*\*\*] of any of the milestone events defined in Section 5.4.1 with respect to a Licensed Product under the same Program as a result of development in [\*\*\*], Sanofi shall make to Pieris a milestone payment in the amount of [\*\*\*] of the amount indicated for the relevant milestone in Section 5.4.1. Upon [\*\*\*] of any of the milestone events defined in Section 5.4.1 with respect to a

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Licensed Product under the same Program as a result of development in [\*\*\*], Sanofi shall make to Pieris a milestone payment in the amount of [\*\*\*] of the amount indicated for the relevant milestone in Section 5.4.1. [\*\*\*] of any of the milestone events defined in Section 5.4.1 with respect to the same Licensed Product. For the avoidance of doubt, if, for example, [\*\*\*] set forth in Section 5.4.1 [\*\*\*] set forth in this Section 5.4.3 [\*\*\*].

5.5 **Sales Milestones.** Within [\*\*\*] days of [\*\*\*] of any of the following milestone events with respect to a Licensed Product, Sanofi shall make the following payments to Pieris on a [\*\*\*] basis, it being expressly understood and agreed that each of the following sales milestones shall [\*\*\*]:

<u>Amount</u>	<u>Milestone Event</u>
EUR [***]	[***]
EUR [***]	[***]
EUR [***]	[***]

5.6 **Reporting on Milestone Achievement.** Sanofi shall provide written notice to Pieris (i) of any occurrence of any of the milestones set forth in Sections 5.3.2 and 5.4.1 above no later than [\*\*\*] days following the occurrence of the relevant milestone and (ii) of any occurrence of any of the milestones set forth in Section 5.5 above no later than [\*\*\*] days following the year during which the corresponding milestone has been achieved. In addition, Sanofi shall inform Pieris promptly in writing if [\*\*\*] within [\*\*\*] days from [\*\*\*]. For the avoidance of doubt, the [\*\*\*] shall be [\*\*\*]. Upon receipt of any of the aforesaid notices, Pieris shall send Sanofi-Aventis or Sanofi-Pasteur, as applicable, a corresponding invoice, which shall payable within [\*\*\*] days.

5.7 **Royalties.** Sanofi shall pay to Pieris the following royalties on Net Sales on a [\*\*\*] basis:

<u>Worldwide Annual Net Sales of Respective Licensed Product</u>	<u>Royalty Rate</u>
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%

(**Example:** If, [\*\*\*], [\*\*\*], the royalty payable to Pieris will be: EUR [\*\*\*] x [\*\*\*] % + EUR [\*\*\*]x [\*\*\*] % + EUR [\*\*\*] x [\*\*\*] % + EUR [\*\*\*] x [\*\*\*] %.)

***Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

The above royalty rates shall be reduced by [\*\*\*] ([\*\*\*] %) on a [\*\*\*] basis in each country in [\*\*\*].

5.8 Duration of Royalty Payments. The royalties payable by Sanofi to Pieris pursuant to Section 5.7 shall be payable on a [\*\*\*] basis for a period [\*\*\*] (the “Royalty Term”): (i) [\*\*\*] years [\*\*\*], and (ii) the [\*\*\*]. At the expiration of the [\*\*\*], Sanofi shall [\*\*\*]. Notwithstanding the foregoing, on a [\*\*\*] basis, in the event that, [\*\*\*], one or more Third Parties other than a Sanofi Party sell a Generic Product (as defined below) in any country in which a Licensed Product is then being sold by a Sanofi Party or its agents or distributors, then the royalty rate otherwise applicable to the Net Sales of the Licensed Product in such country shall be adjusted [\*\*\*] in such country as follows: (i) if during [\*\*\*] in which the Generic Product was introduced and any of the [\*\*\*] in which the Generic Product was introduced the aggregate Net Sales of the Licensed Product by all Sanofi Parties in such country decrease by less than [\*\*\*] of the [\*\*\*] Net Sales on the [\*\*\*] in which the Generic Product was introduced, there shall be no adjustment to the royalty rate, (ii) if during [\*\*\*] in which the Generic Product was introduced and any of [\*\*\*] in which the Generic Product was introduced the aggregate Net Sales of the Licensed Product by all Sanofi Parties in such country decrease by [\*\*\*] or more but less than [\*\*\*] of the average Net Sales on [\*\*\*] in which the Generic Product was introduced and any of [\*\*\*] in which the Generic Product was introduced the aggregate Net Sales of the Licensed Product by all Sanofi Parties in such country decrease by [\*\*\*] or more but less than [\*\*\*] of the average Net Sales on [\*\*\*] in which the Generic Product was introduced, the royalty rate shall be reduced by [\*\*\*] of the otherwise applicable royalty rate, and (iv) if during [\*\*\*] in which the Generic Product was introduced and any of [\*\*\*] in which the Generic Product was introduced the aggregate Net Sales the Licensed Product by all Sanofi Parties in such country decrease by more than [\*\*\*] of the average Net Sales on [\*\*\*] in which the Generic Product was introduced the royalty rate shall be reduced by [\*\*\*] of the otherwise applicable royalty rate. For the sake of illustration, if during [\*\*\*] in which the Generic Product was introduced, the average Net Sales of the Licensed Product amounted [\*\*\*], and Net Sales amount [\*\*\*] in which the Generic Product is introduced, [\*\*\*] in which the Generic Product is introduced, [\*\*\*] in which the Generic Product is introduced and [\*\*\*] in which the Generic Product is introduced, the royalty rates will be reduced by [\*\*\*] in which the Generic Product is introduced, by [\*\*\*] in which the Generic Product is introduced, and by [\*\*\*]. For purposes of this Section 5.8, a “Generic Product” means, with respect to a Licensed Product, a pharmaceutical product developed and manufactured by an entity or person other than a Sanofi Party that has received Marketing Authorization in the concerned country through an abbreviated regulatory approval process by which the sponsor or the applicant or the Regulatory Authority relies, in whole or in part, upon the data supporting the Licensed Product Marketing Authorization (such as the Abbreviated New Drug Application by FDA in the USA) or is considered a generic version of the Licensed Product in EU pursuant to Directive 2001/83/EC as amended.

5.9 [\*\*\*]. [\*\*\*] under this Agreement [\*\*\*] in connection with [\*\*\*] However, to the extent [\*\*\*] To the extent [\*\*\*] in connection with [\*\*\*]. For the avoidance of doubt, [\*\*\*].

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5.10 Reports, Payments, Records, Audits and Taxes.

5.10.1 Currency, Payment Costs. Sanofi shall make the payments due to Pieris under this Section 5 in Euro. Where the payments due to Pieris are being converted from a currency other than Euro, conversion of Net Sales recorded in local currencies to Euros shall be performed in a manner consistent with Sanofi normal practices used to prepare its audited financial statements for internal and external reporting purposes, which uses a widely accepted source of published exchange rates. All payments will be made without deduction of exchange, collection or other charges. If by law, regulation or policy of a particular country, a remittance of royalties in the currency stipulated in Section 5.10.1 above is restricted or forbidden, notice thereof will be promptly given to Pieris, and payment of the royalty shall be made by the deposit thereof in local currency to the credit of Pieris in a recognized banking institution designated by Pieris or its Affiliates. When in any country a law or regulation that prohibits both the transmittal and deposit of such payments ceases to be in effect, all royalties or other sums that Sanofi would have been under obligation to transmit or deposit but for the prohibition, shall forthwith be deposited or transmitted promptly to the extent allowable.

5.10.2 \*\*\* Royalty Reporting. All royalty payments will be made at \*\*\* intervals. Within \*\*\* days of the end of \*\*\* after \*\*\*, Sanofi shall prepare a statement which shall show on a \*\*\* basis for the previous \*\*\* Net Sales of each Licensed Product by any Sanofi Party and all moneys due to Pieris based on such Net Sales. This statement shall include details of Net Sales broken down to show \*\*\* the sales and the total Net Sales by all Sanofi Parties \*\*\* and shall be submitted to Pieris within such \*\*\*-day period and the amount due shall be paid by Sanofi within \*\*\* days from receipt of the corresponding invoice from Pieris. \*\*\*, Sanofi shall document to Pieris the basis on which it has calculated the relevant Net Sales in accordance with Section 1.29 above.

5.10.3 Taxes. All payments shall be made free and clear of and without deduction or deferment in respect of any disputes or claims whatsoever and/or as far as is legally possible in respect of any taxes imposed by or under the authority of any government or public authority. Any tax (other than VAT) which Sanofi is required to pay or withhold with respect to the payments to be made to Pieris hereunder shall be deducted from the amount otherwise due provided that, in regard to any such deduction, Sanofi shall cooperate with respect to all documentation that may be required by any revenue authority and other revenue services, as may reasonably be necessary to enable Pieris to claim exemption therefrom or obtain a repayment thereof or a reduction thereof and shall upon request provide such additional documentation from time to time as is needed to confirm the payment of tax. In particular, at the request of Pieris, Sanofi shall forward to Pieris relevant application forms, which Pieris shall return to Sanofi duly filled and signed before the date when a payment is due. Failing such return, Sanofi shall declare and pay the due withholding tax at the local common rate applicable to the concerned payment and shall deduct such tax from the payment made to Pieris.

5.10.4 Records. Sanofi shall keep, and shall procure that all Sanofi Parties keep, true and accurate records and books of account containing all data necessary for the calculation of the amounts payable by it to Pieris pursuant to this Agreement. Those records and books of account shall be kept for \*\*\* years following the end of the calendar year to which they relate. Upon Pieris' written request, a firm of accountants appointed by agreement between the Parties or, failing such agreement within \*\*\* days of the initiation of discussions between them on this point, Pieris shall have the right to cause an international firm of independent certified public accountants that has not performed auditing or other

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services for either Party or their Affiliates and is acceptable to Sanofi, such acceptance not to be unreasonably withheld, shall have the right to inspect such records and books of account. In particular such firm:

(a) shall be given access to and shall be permitted to examine and copy such books and records of any Sanofi Party upon [\*\*\*] days' notice having been given by Pieris and at all reasonable times on business days for the purpose of certifying that the Net Sales or other relevant sums calculated by any Sanofi Party during the current and the [\*\*\*] years were reasonably calculated, true and accurate or, if this is not their opinion, certify the Net Sales figure or other relevant sums for such period which in their judgment is true and correct;

(b) prior to any such examination taking place, such firm of accountants shall undertake to Sanofi that they shall keep all information and data contained in such books and records, strictly confidential and shall not disclose such information or copies of such books and records to any third person including Pieris, but shall only use the same for the purpose of calculations which they need to perform in order to issue the certificate to which this Section envisages;

(c) any such access examination and certification shall occur no more than [\*\*\*];

(d) the relevant Sanofi Party shall make available personnel to answer queries on all books and records required for the purpose of that certification;

(e) any amount shown by the accountant to be owed but overpaid or underpaid and in need of reimbursement shall be paid or refunded (as the case may be) within [\*\*\*] days from receipt of the corresponding invoice from the Party to which money is due pursuant to the accountant report, and

(f) the cost of the accountant (including reasonable attorneys' fees of Pieris, if applicable) shall be the responsibility of Sanofi if the certification shows it to have underpaid monies to Pieris by more than [\*\*\*] and the responsibility of Pieris otherwise.

5.10.5 VAT. All payments due to Pieris under the terms of this Agreement are expressed to be exclusive of value added tax (VAT) howsoever arising. If Pieris is required to charge VAT on any such payment, due to German or EU VAT regulations, Pieris will notify Sanofi beforehand. If having used all commercially reasonable endeavors Sanofi is not able to reclaim the VAT (in whole or in part) the Parties agree that the amount of any VAT payable will be shared between them equally.

5.10.6 Payments Made by Wire Transfer. All payments made to Pieris under this Agreement shall be made by wire transfer to the following bank account of Pieris, or such other bank account as notified by Pieris to Sanofi from time to time:

Pieris AG

[\*\*\*]

Account No.: [\*\*\*]

BLZ (Routing Number): [\*\*\*]

IBAN: [\*\*\*]

BIC (SWIFT Code): [\*\*\*]

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5.10.7 Late Payments. If Sanofi fails to make any payment to Pieris hereunder on the due date for payment, without prejudice to any other right or remedy available to Pieris, Pieris shall be entitled to charge Sanofi interest [\*\*\*] of the amount unpaid [\*\*\*], calculated on a [\*\*\*] basis until payment in full is made without prejudice to Pieris' right to receive payment on the due date.

**SECTION 6  
INTELLECTUAL PROPERTY**

6.1 Pieris' Ownership Rights.

6.1.1 Pieris' Ownership. Pieris shall solely own all right, title and interest in and to (a) all Pieris Background IP, (b) all Pieris Foreground IP and (c) all Anticalin Technology Improvement IP.

6.1.2 [\*\*\*] Except as expressly provided hereunder, [\*\*\*] pursuant to this Agreement [\*\*\*].

6.2 Sanofi's Ownership Rights.

6.2.1 Sanofi's Ownership. Sanofi shall solely own all right, title and interest in and to (a) all Sanofi Background IP, and (b) all Sanofi Foreground IP and (c) all Targets for which a Program has been agreed pursuant to Section 3.

6.2.2 [\*\*\*]. Except as expressly provided hereunder, [\*\*\*] pursuant to this Agreement [\*\*\*].

6.3 License Grant by Pieris.

6.3.1 License Grants. Subject to the provisions in Section 12.3 regarding termination of any Programs or this Agreement, for each Target that is the subject of a positive Program Response, Pieris hereby grants to Sanofi in the Field in the Territory, under the Pieris Licensed IP:

- (a) an exclusive license ([\*\*\*] under this Agreement) to make, have made and use, during Phase A, Program Compounds directed against such Target; and
- (b) an exclusive license ([\*\*\*] under this Agreement) to make, have made and use, [\*\*\*], Program Compounds directed against such Target under any Anticalin Technology Improvement IP which Sanofi has agreed [\*\*\*]. If Sanofi has so agreed such Anticalin Technology Improvement IP shall become part of Pieris Licensed IP at no additional costs for Sanofi other than the financial terms set forth herein.
- (c) an exclusive license ([\*\*\*]) to develop, have developed, make, have made, use, sell, have sold, offer for sale, have offered for sale, import and have imported one or more Licensed Compound(s) and/or one or more Licensed Products directed against such Target.

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The above license shall become non-exclusive on [\*\*\*] basis at the end of the relevant Royalty Term, as set forth in Section 5.8.

**6.3.2 Right to Sublicense.**

(a) **To Affiliates and Service Providers.** Sanofi shall have the right to sublicense the rights granted to Sanofi under Section 6.3.1(c) above to (i) any subcontractor or other service provider of Sanofi, but only for the purpose of performing services on behalf or for the benefit of Sanofi, or (ii) any Sanofi Affiliate.

(b) **To Other Parties.** In addition, Sanofi shall be permitted to sublicense the rights granted to Sanofi under Section 6.3.1(c) above to any other Third Party (the "**Sublicensee**"), provided that the Sublicensee has committed in writing to Sanofi to assume (i) [\*\*\*] in relation to its development of Licensed Compound(s) and/or Licensed Product(s) to which the sublicense relates (ii) [\*\*\*] in relation to the Pieris Licensed IP to which the sublicense relates.

(c) [\*\*\*]. For the avoidance of doubt, [\*\*\*] hereunder [\*\*\*] under this Agreement[\*\*\*] set forth in [\*\*\*].

(d) **Notice to Pieris.** Upon entering into any sublicense permitted under sub-section (b) above, Sanofi shall deliver written notice thereof to Pieris along with a redacted copy of the sublicense agreement, for the sole purpose of revealing the terms required to show Sanofi's compliance with the conditions set forth in sub-section (b) above.

**6.3.3 No Implied Licenses.** No rights or licenses with respect to any Intellectual Property owned or Controlled by either Party are granted or shall be deemed granted hereunder or in connection herewith, other than those rights expressly granted in this Agreement. Sanofi expressly agrees not to use any of the Pieris Licensed IP outside of the license granted under Section 6.3.1 above and Pieris agrees not to use any of the Sanofi Intellectual Property for any other purpose than conducting Phase A hereunder.

**6.4 Patent Matters.**

**6.4.1 Technology owned by Pieris.** Subject to Section 6.4.3, Pieris shall have the right (but not the obligation), at its sole expense and sole discretion, to control the preparation, filing, prosecution, maintenance and enforcement of all Patent Rights applicable to all technology owned by Pieris under Section 6.1.1.

**6.4.2 Technology Owned by Sanofi.** Subject to Section 6.4.3, Sanofi shall have the right (but not the obligation), at its sole expense and sole discretion, to control the preparation, filing, prosecution, maintenance and enforcement of all Patent Rights applicable to all technology owned by Sanofi under Section 6.2.1.

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6.4.3 Prosecution and Enforcement of Pieris Foreground IP and Sanofi Foreground IP.

(a) Prosecution.

(i) The Parties will discuss in good faith and mutually agree on the best strategy for the prosecution of Patent Rights for Pieris Foreground IP and its use.

(ii) Unless otherwise agreed between the Parties, Pieris shall have the first right (but not the obligation) to control the preparation, filing, prosecution and maintenance of all Patent Rights relating to Pieris Foreground IP. Pieris shall (a) provide Sanofi with written notice in advance of undertaking to prepare, file, prosecute and maintain any patent application or patents for any of such Patent Rights, (b) provide Sanofi with any draft of patent application to be filed by Pieris in advance of filing and incorporate reasonable comments by Sanofi thereon; (c) provide Sanofi with any patent application filed by Pieris after such filing; (d) provide Sanofi with copies of all substantive communications received from or filed in patent office(s) with respect to such filings and incorporate reasonable comments by Sanofi thereon; and (e) notify Sanofi of any interference, opposition, reexamination request, nullity proceeding, appeal or other interparty action, review it with Sanofi as reasonably requested, and incorporate reasonable comments by Sanofi thereon. Sanofi shall reimburse Pieris for [\*\*\*] all reasonable external costs and expenses incurred by Pieris in connection with the preparation, filing, prosecution and maintenance of all Patent Rights relating to Pieris Foreground IP (as documented by invoices) **other than** for the following activities, for which Sanofi shall have no reimbursement obligation: activities relating to the preparation, filing, prosecution and maintenance of (i) priority documents, (ii) applications filed under the Patent Cooperation Treaty, (iii) PCT regional and national stage filings [\*\*\*] and (iv) [\*\*\*]. Each Party shall cause its employees, agents or consultants, at its expense, to execute such documents and to take such other actions as reasonably necessary or appropriate to enable the Parties to prepare, file, prosecute and maintain such Patent Rights.

(iii) Pieris shall provide Sanofi with written notice (i) prior to abandoning any patent applications or patents covering any Patent Rights or (ii) after having decided not to file a patent application covering any Patent Rights, in both cases in a sufficient amount of time to allow Sanofi to take over the control of such patent applications or patents. In the event that Pieris provides Sanofi with such written notice prior to abandoning any such patent application or patent within such Patent Rights (or if Pieris decides not to file a patent application covering such Patent Rights), then Sanofi shall have the option, exercisable by delivery to Pieris of written notice thereof within [\*\*\*] days thereafter, to assume the right (but not the obligation), at its sole expense and sole discretion, to control the preparation, filing, prosecution and maintenance of such patent application or patent. If Sanofi timely exercises such option, then with respect to such patent application or patent, (a) Sanofi shall thereafter assume the rights and obligations attributed to Pieris under the preceding paragraph and (b) such Patent Rights shall be thereafter owned by Sanofi. For the avoidance of doubt, such Patent Rights owned by Sanofi pursuant to this sub-section 6.4.3(a)(iii) shall thereafter be considered as Sanofi Patent Rights (and Sanofi Valid Patent Claims, as the case may be).

(iv) Unless otherwise agreed between the Parties, Sanofi shall have the first right (but not the obligation), at its sole expense, to control the

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preparation, filing, prosecution and maintenance of all Patent Rights relating to Sanofi Foreground IP. With respect to such patent applications or patents, sub-sections (ii) and (iii) shall apply reciprocally *mutatis mutandis*.

(b) Enforcement Within Scope of Exclusive License.

(i) Sanofi shall have the first right (but not the obligation), at its sole expense and sole discretion, to control the enforcement or defense of Pieris Foreground IP and Sanofi Foreground IP, so long as Sanofi owns, or possesses a license under Section 6.3 under the respective Pieris Foreground IP and Sanofi Foreground IP. Prior to undertaking any such action to enforce such Patent Rights, Sanofi shall notify Pieris in writing. The Parties shall reasonably cooperate with each other in the planning and execution of any such action to enforce such Patent Rights (including the obligation to be named or joined as a party in a lawsuit, as applicable), provided that Sanofi shall reimburse to Pieris all costs incurred by Pieris in connection with such enforcement action. All monies recovered upon the final judgment or settlement of any such suit or action to enforce such Patent Rights shall be applied in the following order of priority: (x) first, the Parties shall be reimbursed for all costs incurred in connection with such suit or action paid by the Parties and not otherwise recovered; and (y) thereafter, any remainder shall be shared between the Parties as follows: [\*\*\*] percent ([\*\*\*]%) to Sanofi and [\*\*\*] percent ([\*\*\*]%) to Pieris. In the event that Sanofi does not wish to enforce such Patent Rights against such a potential infringer, then Sanofi shall deliver prompt written notice thereof to Pieris. For the avoidance of doubt, [\*\*\*].

(ii) In the event that Sanofi delivers to Pieris written notice described in the previous paragraph that Sanofi does not wish to enforce such Patent Rights against such a potential infringer, then Pieris shall have the option to assume the right (but not the obligation), at its sole expense and sole discretion, to control such enforcement of such Patent Rights against such infringer. If Pieris timely exercises such option, then (x) Pieris shall thereafter assume the rights and obligations attributed to Sanofi under the preceding paragraph, and (y) Sanofi shall thereafter assume the rights and obligations attributed to Pieris under the preceding paragraph.

6.4.4 Notice to Pieris Regarding Licensed Products. Upon request by Pieris (which shall be permitted no more than once per calendar year), Sanofi shall inform Pieris about the status of its preparation, filing, prosecution and maintenance of Patent Rights of any Sanofi Party relating to the Licensed Product(s).

6.4.5 Cooperation. Each Party agrees to cooperate with, and perform such lawful acts and execute such documents in order to reasonably assist, the other Party with respect to the preparation, filing, prosecution, defense, enforcement and maintenance of Patent Rights pursuant to this Section 6.4. Furthermore, the Parties shall cooperate with each other in gaining patent term extensions wherever applicable to any of the Foreground IP.

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**SECTION 7  
NON-COMPETITION AND RESTRICTIONS**

**7.1 Restrictions on Pieris.**

7.1.1 Target Exclusivity. To the extent permitted by applicable law, during the Program Term of any Program, Pieris shall not apply its Anticalin Technology to perform any research or development activities for its own benefit or with or for the benefit of any Third Party on the Target to which the relevant Program relates.

7.1.2 \*\*\* Program Exclusivity. In addition, and to the extent permitted by applicable law, with respect to \*\*\* Programs \*\*\*, Pieris shall not pursue any research or development activities for its own benefit or with or for the benefit of any Third Party, nor grant any rights to any Third Party, in relation to any Anticalin \*\*\* (i) \*\*\*to which \*\*\* Program relates or (ii) \*\*. The obligation of this Section 7.1.2 shall apply from the initiation of Phase A of the relevant \*\*\* Program until the earlier of (i) the termination of such I[\*\*\*] Program, (ii) Sanofi's decision not to enter into Phase B of such \*\*\* Program, and (iii) \*\*\* months from the decision by Sanofi to enter into Phase B with respect to such \*\*\* Program.

7.1.3 \*\*\*. To the extent permitted by applicable law, during the Program Term of any Program, Pieris shall not pursue any research or development activities for its own benefit or with or for the benefit of any Third Party, nor grant any rights to any Third Party, [\*\*\*].

7.1.4 \*\*\*. To the extent [\*\*\*], to the extent [\*\*\*].

7.2 Injunctive Relief. Pieris acknowledges that money damages alone would not adequately compensate Sanofi in the event of any breach by Pieris of Section 7.1, and that, in addition to all other remedies available to Sanofi under this Agreement or at law, Sanofi shall be entitled to seek injunctive relief for the enforcement of its rights under Section 7.1.

**SECTION 8  
CONFIDENTIALITY AND PUBLICITY**

8.1 Confidential Information. During the term of this Agreement and for a period of \*\*\* years after any termination or expiration thereof, each Party agrees to keep in confidence and not to disclose to any Third Party, or use for any purpose, except pursuant to, and in order to carry out, the terms and objectives of this Agreement, any Confidential Information of the other Party. As used herein, "Confidential Information" shall mean all trade secrets or confidential or proprietary information designated as such in writing by the disclosing Party, whether by letter or by the use of an appropriate stamp or legend, prior to or at the time any such trade secret or confidential or proprietary information is disclosed by the disclosing Party to the receiving Party. Notwithstanding the foregoing, information which is orally or visually disclosed to the receiving Party by the disclosing Party, or is disclosed in writing without an appropriate letter, stamp or legend, shall constitute Confidential Information if (i) it would be obvious to a reasonable person, familiar with the disclosing Party's activities and the industry in which it operates, that such information is of a confidential or proprietary nature, or if (ii) the disclosing Party, within \*\*\* days after such disclosure, delivers to the receiving Party a written document or documents describing such information and referencing the place and date of such oral, visual or written disclosure and, if possible, the names of the employees or officers of the receiving Party to whom such disclosure was made. The restrictions on the disclosure and use of Confidential Information set forth in the first sentence of this Section 8.1 shall not apply to any Confidential Information that:

(a) was known by the receiving Party (or any of its Affiliates) prior to disclosure by the disclosing Party hereunder (as evidenced by the receiving Party's written records); or

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(b) becomes part of the public domain through no fault of the receiving Party; or

(c) is disclosed to the receiving Party (or any of its Affiliates) by a Third Party having a legal right to make such a disclosure without violating any confidentiality or non-use obligation that such Third Party has to the disclosing Party; or

(d) is independently developed by the receiving Party (or any of its Affiliates) (as evidenced by the receiving Party's written records).

Notwithstanding the obligations of confidentiality and non-use set forth above, a receiving Party may provide Confidential Information disclosed to it to (i) governmental or other Regulatory Authorities in order to obtain, maintain or defend patents or to gain or maintain approval to conduct clinical studies or to otherwise develop, manufacture or commercialize a Licensed Product; provided, that such disclosure shall be subject to the prior written consent of the Party whose Confidential Information is intended to be disclosed (which consent shall not be unreasonably withheld or delayed), and such Confidential Information shall be disclosed only to the extent reasonably necessary to obtain, maintain or defend patents or authorizations, (ii) the extent required by applicable law, including without limitation by the rules or regulations of the United States Securities and Exchange Commission or similar regulatory agency in a country other than the United States or of any stock exchange or listing entity, (iii) any bona fide actual or prospective underwriters, investors, lenders or other financing sources or bona fide actual or prospective collaborators or strategic partners who are obligated to keep such information confidential, to the extent reasonably necessary to enable such actual or prospective underwriters, investors, lenders or other financing sources or collaborators to determine their interest in underwriting or making an investment in, or otherwise providing financing to, or collaborating with the receiving Party and (iv) consultants and advisors, subject to Section 8.2. In addition, if either Party is required to disclose Confidential Information of the other Party by regulation, law or legal process, including without limitation by the rules or regulations of the United States Securities and Exchange Commission or similar agency or other governmental or administrative body in a country or region other than the United States or of any stock exchange or listing entity, such Party shall provide prior notice of such intended disclosure to such other Party if practicable under the circumstances and shall disclose only such Confidential Information of such other Party as is required to be disclosed.

8.2 Employee, Consultant and Advisor Obligations. Each Party agrees that it and its Affiliates shall provide or permit access to Confidential Information received from the other Party only to the receiving Party's employees, consultants, advisors and permitted subcontractors who have a need to know such Confidential Information to assist the receiving Party with the development, manufacturing and/or commercialization of a Licensed Compound and/or Licensed Product and the activities contemplated by this Agreement and who are subject to obligations of confidentiality and non-use with respect to such Confidential Information similar to the obligations of confidentiality and non-use of the receiving Party pursuant to Section 8.1; provided, that Pieris and Sanofi shall each remain responsible for any failure by its Affiliates, and its Affiliates' respective employees, consultants, advisors and permitted

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subcontractors, Sublicensees and distributors, to treat such Confidential Information as required under Section 8.1 (as if such Affiliates, employees, consultants, advisors and permitted subcontractors, Sublicensees and distributors were Parties directly bound to the requirements of Section 8.1).

8.3 Injunctive Relief. The Parties acknowledge that money damages alone would not adequately compensate the disclosing Party in the event of a breach by the receiving Party of this Section 8, and that, in addition to all other remedies available to the disclosing Party at law or in equity, it shall be entitled to seek injunctive relief for the enforcement of its rights under this Section 8.

8.4 Liability. A Party shall be liable for a breach of the obligations of this Section 8 by an Affiliate, Sublicensee, director, officer, employee, consultant or agent of such Party.

8.5 Return of Confidential Information. Upon termination or expiration of any Program or this Agreement, upon the request of the disclosing Party, the receiving Party shall promptly return to the disclosing Party or destroy the disclosing Party's Confidential Information, including all copies thereof, except to the extent that retention of such Confidential Information is reasonably necessary for the receiving Party to exploit any continuing rights it may have (in particular the rights under Section 12.4) and/or to fulfill its obligations contemplated herein, including its obligations of non-disclosure and non-use hereunder. Any such destruction requested by the disclosing Party shall be certified in writing to the disclosing Party by an authorized officer of the receiving Party. The return and/or destruction of such Confidential Information as provided above shall not relieve the receiving Party of its obligations under this Agreement.

8.6 Publicity. No public announcement or other disclosures concerning the terms of this Agreement shall be made to a Third Party, whether directly or indirectly, by either Party (except confidential disclosures to those parties described in Section 8.1 and 8.2) without first obtaining the written approval of the other Party and agreement upon the nature and text of such announcement or disclosure except that: (i) a Party may disclose those terms which it is required by regulation or law to disclose, provided that it takes advantage of all provisions to keep confidential as many terms as possible; and (ii) a Party desiring to make such public announcement or other public disclosure shall obtain the consent of the other Party to the proposed announcement or public disclosure prior to public release. Each Party agrees that it shall cooperate fully with the other with respect to all disclosures regarding this Agreement as required under the regulations of the U.S. Securities and Exchange Commission, applicable stock exchanges, NASDAQ and any other comparable foreign body including requests for confidential information or proprietary information of either Party included in any such disclosure. Sanofi agrees that Pieris may include Sanofi on a list of Pieris licensees. Pieris agrees that Sanofi and any Sanofi Party may state that they are licensed under the rights hereunder. The Parties agree to release a mutually agreeable press release within [\*\*\*] days of executing this Agreement (for the avoidance of doubt, the Parties will not issue a joint press release but each Party will have the option but not the obligation to issue a press release it being understood that should either Party so decides, it will comply to such mutually agreeable content and such timeline).

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8.7 Publication. In the event that either Party (the “Publishing Party”) wishes to publish, in oral or written form, any Confidential Information of the other Party (the “Non-Publishing Party”), such Publishing Party will promptly notify the Non-Publishing Party and provide the Non-Publishing Party with a written copy of the proposed publication prior to its submission for publication. At the Non-Publishing Party’s request, the Publishing Party will delay publication in order to permit the Non-Publishing Party to take the steps necessary to secure any Intellectual Property arising from the Publishing Party’s use of Confidential Information, including the filing of one or more patent applications. In no event will such delay exceed [\*\*\*] days from the date the Non-Publishing Party receives a written copy of the proposed publication. If the Non-Publishing Party makes such a request, the Publishing Party agrees to cooperate with the Non-Publishing Party in securing such Intellectual Property using the Non-Publishing Party’s choice of counsel and the Non-Publishing Party will bear all costs of such patent filing. No patent application describing an invention resulting from the Publishing Party’s use of Confidential Information will be filed or caused to be filed by the Publishing Party without first notifying the Non-Publishing Party as described above for proposed publications. Any publication or patent application will acknowledge the Non-Publishing Party’s contribution. No publication or patent application will disclose any Confidential Information of a Party without the prior written permission of that Party.

**SECTION 9  
REPRESENTATIONS AND WARRANTIES**

9.1 Mutual Representations. Each Party hereby represents and warrants to the other Party that as of the Effective Date, it has full corporate right, power and authority to enter into this Agreement, to grant the rights it grants to the other Party and to perform its respective obligations under this Agreement.

9.2 No Conflict. Each Party hereby represents and warrants to the other Party that, notwithstanding anything to the contrary in this Agreement, the execution and delivery of this Agreement by such Party, the performance of such Party’s obligations hereunder and the licenses and sublicenses to be granted by such Party pursuant to this Agreement (a) to the best of its knowledge, do not conflict with or violate any requirement of any laws, rules or regulations existing as of the Effective Date and applicable to such Party and (b) do not conflict with, violate, breach or constitute a default under any contractual obligations of such Party or any of its Affiliates existing as of the Effective Date.

9.3 Disclaimer of Warranties. EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, TO THE OTHER PARTY, AND EACH PARTY HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, VALIDITY AND ENFORCEABILITY OF ANY PATENT LICENSED HEREUNDER, AND NONINFRINGEMENT WITH RESPECT TO THE PROGRAM COMPOUNDS AND

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LICENSED PRODUCTS. EACH PARTY HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY THAT THE DEVELOPMENT, MANUFACTURE AND COMMERCIALIZATION OF THE PROGRAM COMPOUNDS OR LICENSED PRODUCTS PURSUANT TO THIS AGREEMENT WILL BE SUCCESSFUL.

**9.4 Representations and Warranties of Pieris.** Pieris represents and warrants to Sanofi, as of the Effective Date that:

9.4.1 It owns or Controls sufficient right, title and interest in the Pieris Background Patent Rights and the Pieris Background Know-How to enter into this Agreement and to grant the rights granted to Sanofi hereunder. For the avoidance of doubt, the existence of any Third Party intellectual property rights that may be infringed by the use or exploitation of the Pieris Background Patent Rights and/or the Pieris Background Know-How shall not constitute a violation of this warranty.

9.4.2 The Pieris Background Patent Rights have been filed in good faith, have been and are being reasonably prosecuted, no official deadlines with respect to the prosecution thereof have been missed and no fees due and owing remain unpaid with respect thereto.

9.4.3 The Pieris Background Patent Rights and Pieris Background Know-How are free and clear of all encumbrances or liens that would restrict Sanofi's rights as granted under this Agreement or use thereof as otherwise permitted under this Agreement. For the avoidance of doubt, the existence of any Third Party intellectual property rights that may be infringed by the use or exploitation of the Pieris Background Patent Rights and/or the Pieris Background Know-How shall not constitute a violation of this warranty.

9.4.4 To Pieris' best knowledge, Pieris has taken reasonable measures to protect the confidentiality or the Pieris Background Know-How and no event has occurred which has resulted in the unauthorized disclosure by Pieris or its personnel or consultants or subcontractors of any part of the Pieris Background Know-How of which otherwise resulted in any part of the Pieris Background Know-How falling in the public domain or becoming public knowledge.

9.4.5 Pieris has received no notice which claims that the use or exploitation of the Pieris Background IP infringes any Patent Rights or other intellectual property rights of any Third Party. To the knowledge of Pieris, the general operation or use of the Pieris Background IP does not infringe any Third Party Patent Rights and does not misappropriate any Third Party Know-How.

9.4.6 To the knowledge of Pieris, none of the Pieris Patent Rights is infringed by any Third Party.

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**SECTION 10  
INDEMNIFICATION AND LIABILITY**

**10.1 Indemnification.**

(a) By Sanofi. Sanofi will defend, indemnify and hold harmless Pieris, its Affiliates and their respective directors, officers, employees and agents (the "Pieris Indemnified Parties") from and against all claims, demands, liabilities, damages, penalties, fines, costs and expenses, including reasonable attorneys' and expert fees and costs, and costs or amounts paid to settle (subject to Section 10.1(c)(v) (collectively, "Losses"), arising from or occurring as a result of a Third Party's claim (including any Third Party product liability or infringement claim), action, suit, judgment or settlement to the extent such Losses are due to or based upon:

(i) the gross negligence, recklessness, bad faith, intentional wrongful acts or omissions or violations of applicable law or regulation by or of Sanofi, its Affiliates, Sublicensees, wholesale distributors, contractors or their respective directors, officers, employees or agents in connection with the development, manufacture or commercialization of any Licensed Product by Sanofi, a Sanofi Party, wholesale distributors or contractors; or

(ii) the material breach by Sanofi of the terms of, or the material inaccuracy of any representation or warranty made by it in, this Agreement; or

(iii) any claim or allegation that any Licensed Compound and/or Licensed Product may infringe any Third Party intellectual property rights, except if such infringement is solely due to the use of Pieris Background IP; or

(iv) development, manufacture or commercialization of any Licensed Product by Sanofi or a Sanofi Party, wholesale distributors or contractors, except to the extent that such Losses arise out of, and are allocable to, the gross negligence, recklessness, bad faith, intentional wrongful acts, omissions or violations of law or breach of this Agreement committed by the Pieris Indemnified Parties.

(b) By Pieris. Pieris will defend, indemnify and hold harmless Sanofi, any Sanofi Party, wholesale distributors, contractors and their respective directors, officers, employees and agents (the "Sanofi Indemnified Parties") from and against all Losses arising from or occurring as a result of a Third Party's claim, action, suit, judgment or settlement (subject to Section 10.1(c)(v) below) that is due to or based upon the material breach by Pieris of the terms of, or the material inaccuracy of any representation or warranty made by it in, this Agreement.

(c) Claims for Indemnification.

(i) A person entitled to indemnification under this Section 10.1 (an "Indemnified Party") shall give prompt written notification to the person from whom indemnification is sought (the "Indemnifying Party") of the commencement of any action, suit or proceeding relating to a Third Party claim for which indemnification may be sought or, if earlier, upon the assertion of any such claim by a Third Party (it being understood and agreed, that the failure by an Indemnified Party to give notice of a Third Party claim as provided in this Section 10.1 shall relieve the Indemnifying Party of its indemnification obligation under this Agreement unless the Indemnified Party can demonstrate that such failure to give notice has not resulted in any prejudice to the Indemnifying Party).

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(ii) Within thirty (30) days after receipt of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such action, suit, proceeding or claim with counsel of its choice. If the Indemnifying Party does not assume control of such defense, the Indemnified Party shall control such defense.

(iii) The Party not controlling such defense may participate therein at its own expense; provided, that if the Indemnifying Party assumes control of such defense and the Indemnified Party reasonably concludes, based on advice from counsel, that the Indemnifying Party and the Indemnified Party have conflicting interests with respect to such action, suit, proceeding or claim, the Indemnifying Party shall be responsible for the reasonable fees and expenses of counsel to the Indemnified Party solely in connection with the matter raising a conflict of interest between the Indemnifying Party and the Indemnified Party; provided further, however, that in no event shall the Indemnifying Party be responsible for the fees and expenses of more than one (1) counsel in any one (1) jurisdiction for all Indemnified Parties.

(iv) The Party controlling such defense shall keep the other Party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider reasonable recommendations made by the other Party with respect thereto.

(v) The Indemnified Party shall not agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld. The Indemnifying Party shall not agree to any settlement of such action, suit, proceeding or claim or consent to any judgment in respect thereof that does not include a complete and unconditional release of the Indemnified Party from all liability with respect thereto or that imposes any liability or obligation on the Indemnified Party without the prior written consent of the Indemnified Party.

10.2 Limitation of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE OR OBLIGATED TO THE OTHER PARTY IN ANY MANNER FOR ANY SPECIAL, NON-COMPENSATORY, CONSEQUENTIAL, INDIRECT, INCIDENTAL, STATUTORY OR PUNITIVE DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, LOST PROFITS AND LOST REVENUE, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT PRODUCT LIABILITY, OR OTHERWISE, EVEN IF INFORMED OF OR AWARE OF THE POSSIBILITY OF ANY SUCH DAMAGES IN ADVANCE. THE LIMITATIONS SET FORTH ABOVE SHALL BE DEEMED TO APPLY TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW AND NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDIES. THE PARTIES ACKNOWLEDGE AND AGREE THAT THEY HAVE FULLY CONSIDERED THE FOREGOING ALLOCATION OF RISK AND FIND IT REASONABLE, AND THAT THE FOREGOING LIMITATIONS ARE AN ESSENTIAL BASIS OF THE BARGAIN BETWEEN THE PARTIES. The above limitation of liability shall not apply to the indemnifications set forth in Section 10.1 and any breach of Section 8 (“CONFIDENTIALITY”).

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10.3 Insurance. Each Party shall maintain, and shall require its Affiliates and Sublicensees hereunder to maintain, a commercial general liability and, as regards Sanofi only, a product liability insurance program on terms customary in the pharmaceutical and biopharmaceutical industry covering all activities and obligations of it, and, as the case may be, its Affiliates, hereunder, or other insurance programs with comparable coverage, up to and beyond the expiration or termination of this Agreement and a commercially reasonable period thereafter.

**SECTION 11  
PROJECT MANAGEMENT**

11.1 Steering Committee.

11.1.1 Composition. Within [\*\*\*] days following the Effective Date, the Parties shall establish a steering committee (the "Steering Committee"). The Steering Committee shall have a total of [\*\*\*] members. [\*\*\*] of the Steering Committee members shall be appointed by Sanofi, and [\*\*\*] members of the Steering Committee shall be appointed by Pieris. [\*\*\*]. Each Steering Committee member shall have sufficient authority to ensure acceptance and execution of Steering Committee decisions within its organization. Each Party may appoint substitutes or alternates for its Steering Committee members at any time by written notice the other Party.

11.1.2 Responsibility of Steering Committee. The responsibilities of the Steering Committee in relation to each Program shall depend on the status of the relevant Program:

(a) During the time period from the initiation of a Program until the end of Phase A for that Program, the Steering Committee shall be responsible for:

(i) Planning, approving and monitoring each Program Plan, and making necessary updates thereof.

(ii) Monitoring workflow, including experimental sample transfer, sample throughput, sample analysis and data quality control, data analysis and summarization, and overall research progress;

(iii) Monitoring budgets and timelines; and

(iv) Assigning tasks and responsibilities, taking into account each Party's respective specific capabilities and expertise in order to avoid duplication and to enhance efficiency and synergies.

(b) During the time between [\*\*\*] and commencement [\*\*\*], the Steering Committee shall be responsible for reviewing and approving the Development Plan for each Program and following its implementation and progress.

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(c) Thereafter, the Steering Committee shall only have an informatory role in relation to such Program and only be responsible for exchanging information and strategies regarding the further research, development and commercialization of Licensed Products under the relevant Program.

11.1.3 Meetings.

(a) For as long as at least one Program is both active and has not reached a Phase I Clinical Trial, the Steering Committee shall meet at least quarterly. At least [\*\*\*] of such meetings [\*\*\*] shall be face-to-face, alternating between Pieris' facilities and Sanofi's facilities, or as otherwise determined by the Steering Committee. The remaining meetings may be conducted by telephone or video conference, unless one Party requests otherwise. Any additional meetings shall be held at places and on dates selected by the Steering Committee.

(b) Following the expiration of the time period described in the preceding paragraph, the Steering Committee meetings shall be scheduled from time to time by mutual agreement of the Parties, but in no event less than once per half-year. For all meetings, the Steering Committee may meet in person or by telephone or video conference.

(c) Within [\*\*\*] days following each Steering Committee meeting, the Parties shall prepare in an alternating fashion and distribute reasonably detailed written minutes of such meeting for approval by the other Party, which minutes shall constitute Confidential Information of each Party.

11.1.4 Quorum and Decisions. At each Steering Committee meeting, at least [\*\*\*] members appointed by each Party present in person or by telephone or video conference shall constitute a quorum. Decisions of the Steering Committee shall be made by consensus. In the event of a deadlock, [\*\*\*] shall have the [\*\*\*] and provided further that [\*\*\*] set forth in [\*\*\*]. Unless explicitly set forth otherwise in this Agreement, [\*\*\*] of this Agreement.

11.1.5 Reporting to Steering Committee. The Parties agree that the successful execution of the collaboration under this Agreement will require the collaborative use of each Party's area of expertise. The Parties shall report to the Steering Committee the status of the portions of the Program they respectively perform in a timely manner.

11.1.6 Duration of Steering Committee. The provisions relating to the Steering Committee under this Section 11.1 shall remain in effect only for so long as Sanofi's diligence obligations set forth in Section 4.2 remain in effect, and shall terminate upon the end of Sanofi's diligence obligation as set forth in Section 4.2.

11.2 Program Managers. Each Party shall appoint a person (a "Program Manager") for each Program to coordinate its part of the activities under such Program. The Program Managers shall be the primary contacts between the Parties with respect to all research and development activities performed under the relevant Program. Either Party may change its Program Manager upon written notice to the other Party. A Program manager may be a member of the Steering Committee.

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**SECTION 12  
TERM AND TERMINATION**

12.1 Agreement Term. Except as otherwise specified in this Agreement, the Parties' respective rights and obligations under this Agreement shall commence on the Effective Date and shall end upon the earlier of (i) expiration of all payment and related obligations of Sanofi under Section 5, and (ii) any termination of this Agreement in accordance with Section 12.3.5 below.

12.2 [\*\*\*]. Each Program shall commence upon the execution of the relevant Program Plan and shall end upon the earlier of (i) [\*\*\*] as set forth in [\*\*\*] and (ii) [\*\*\*] in accordance with [\*\*\*], and (iii) [\*\*\*] (the "[\*\*\*]").

12.3 Termination.

12.3.1 Termination for Convenience by Sanofi. Sanofi shall have the right to terminate any or all Programs at any time after the Effective Date on [\*\*\*] days prior written notice to Pieris [\*\*\*].

12.3.2 Termination for Breach. Subject to Section 4.5 in relation to Sanofi's failure to comply with its diligence obligations, either Party shall be entitled to terminate any Program(s) by written notice to the other with immediate effect if the other Party breaches any of its material obligations under this Agreement in relation to such Program(s) and fails to cure such breach within [\*\*\*] days following its receipt of written notice thereof from the terminating Party if such breach is curable within the aforesaid period; **provided, however**, prior to giving any notice for breach, the Parties shall first attempt to resolve any disputes as to the existence of any breach as set forth in Section 13.3.

12.3.3 Termination for Insolvency. Either Party may terminate any or all Programs under this Agreement by written notice to the other with immediate effect if the other Party becomes insolvent, is compelled to file bankruptcy or is determined otherwise imminently subject to control by a bankruptcy trustee or its equivalent pursuant to the laws of the jurisdiction in which such Party is doing business.

12.3.4 [\*\*\*]. [\*\*\*] including, without limitation, [\*\*\*] hereunder, or [\*\*\*] thereof or [\*\*\*] (including, without limitation, [\*\*\*] thereof (each, a [\*\*\*])).

12.3.5 Termination of Agreement. Any termination of the last Program pursued under this Agreement shall constitute a termination of this Agreement.

12.4 Effect of Termination or Expiration of Programs or Agreement. In case of any termination or expiration of any Program(s), all rights and obligations of the Parties shall cease immediately with respect to the relevant Program(s) only, as applicable, unless otherwise indicated in this Section below or elsewhere in this Agreement. Upon expiration (but, for the avoidance of doubt, not termination) of the Agreement Sanofi shall be entitled to continue to exploit Licensed Products in its discretion without any payment to Pieris.

12.4.1 Obligations Accrued. Expiration or termination of this Agreement or termination of any Program shall not relieve the Parties of any obligation accruing prior to such expiration or termination.

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12.4.2 Survival. The provisions of Sections 5.10.3, 5.10.4, 5.10.7, 6.1, 6.2, Section 8, Section 9, Section 10, 12.5 and Section 13 shall survive any termination of any Program or termination or expiration of this Agreement.

12.5 Transfer of Terminated Program Under Certain Circumstances. If any Program is terminated (i) by Pieris in accordance with Section 12.3.2 (termination for breach by Sanofi), or (ii) by Sanofi in accordance with Section 12.3.1 (termination for convenience) (such Program hereinafter referred to as the "Terminated Program"), the following terms and conditions shall apply in relation to the Terminated Program:

12.5.1 Sanofi shall as promptly as practicable transfer to Pieris or Pieris' designee (i) possession and ownership of all material governmental or regulatory correspondence, filings and approvals (including all Marketing Authorizations) relating to the development, manufacture or commercialization of all Licensed Products under the Terminated Program, (ii) copies of all data, reports, records and materials in Sanofi's possession or control relating to the development, manufacturing or commercialization of all Licensed Products under such Program, including all non-clinical and clinical data relating to any Licensed Products (provided that in relation to data, reports, records and materials which are required by Pieris to establish the manufacturing of the Licensed Product, this obligation shall only apply to the extent that Sanofi does not continue to manufacture and supply the relevant Licensed Product in accordance with Section 12.5.4 below), and (iii) all records and materials in Sanofi's possession or control containing Confidential Information of Pieris relating to the Terminated Program.

12.5.2 Sanofi shall appoint Pieris as Sanofi's agent for all Licensed Product-related matters under the Terminated Program involving Regulatory Authorities until all Marketing Authorizations and other regulatory filings and approvals have been transferred to Pieris or its designee, it being agreed that both Parties shall use [\*\*\*] to have this transfer occur as rapidly as feasible.

12.5.3 If [\*\*\*], then Sanofi shall appoint Pieris as its exclusive distributor of such Licensed Product and grant Pieris the right to appoint sub-distributors, until such time as all Marketing Authorizations have been transferred to Pieris or its designee it being agreed that both Parties shall [\*\*\*] have this transfer occur as rapidly as feasible.

12.5.4 If a Sanofi Party is manufacturing a Licensed Product under a Terminated Program, then at Pieris's option Sanofi shall supply such Licensed Product to Pieris at [\*\*\*] or, if termination occurs [\*\*\*], [\*\*\*], until such time [\*\*\*], and Pieris has procured or developed its own source of Licensed Product supply, provided that [\*\*\*] and provided further that [\*\*\*]. [\*\*\*] agrees that notwithstanding the foregoing, [\*\*\*], provided that [\*\*\*].

12.5.5 Subject to Section 12.5.4, if Pieris so requests, Sanofi shall transfer to Pieris any Third Party agreement relating to the development, manufacture or commercialization of a Licensed Product under a Terminated Program, to which Sanofi is a party, provided that such Third Party agreement permits such a transfer (and Sanofi hereby covenants to [\*\*\*] obtain consent from the concerned Third Party to such a transfer) and provided further that, in relation to agreements relating to the manufacture of Licensed Products, this obligation shall only apply to the extent that Sanofi does not continue to manufacture and supply the relevant Licensed Product in accordance with Section 12.5.4 above.

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12.5.6 Sanofi shall (i) assign ownership of Intellectual Property that relate solely to the Licensed Product under a Terminated Program to Pieris, as such Intellectual Property is in existence on the date of termination of the Program and (ii) grant Pieris a non-exclusive right and license, with the right to grant sublicenses upon Sanofi’s prior written consent which may not be unreasonably withheld or delayed (for the avoidance of doubt and by way of example and not limitation, [\*\*\*]), under all other Sanofi Background IP related to that Terminated Program and all other Sanofi Foreground IP related to that Terminated Program, for the sole purpose of developing, manufacturing and commercializing any Program Compound(s) which has/have been the subject of the Terminated Program or any pharmaceutical product containing any such Program Compound(s) in the Field in the Territory, and for no other purpose. If any of Sanofi Background IP or Sanofi Foreground IP has been licensed from Third Parties, Sanofi will sublicense or assign its rights under such Intellectual Property only to the extent it is able to do so.

12.5.7 To the extent [\*\*\*], the license granted pursuant to Section 12.5.6(ii) above shall be royalty-free, fully-paid and perpetual except for Intellectual Property licensed from Third Parties for which, to the extent Sanofi is able to sublicense or assign its rights, any obligation of Sanofi to the Third Party will be assumed by Pieris. In particular, Pieris will be responsible for any milestones and royalties obligations related to such Third Party Intellectual Property. To the extent [\*\*\*], the license granted pursuant to Section 12.5.6(ii) above shall be subject to the following royalty payments to be made by Pieris to Sanofi on the Net Sales of pharmaceutical products containing one or more Program Compounds of the Terminated Product made by Pieris, its Affiliates, sublicensees or sublicensees’ Affiliates (and the definition of “Net Sales” shall apply *mutatis mutandis* to such sales):

<u>Time of Termination</u>	<u>Royalty Rate</u>
[***]	[***]%
[***]	[***]%
[***]	[***]%
[***]	[***]%

The above royalty rates shall be [\*\*\*] on a [\*\*\*] basis in [\*\*\*].

The above royalty shall be payable by Pieris to Sanofi on [\*\*\*] and on a [\*\*\*] basis for a period [\*\*\*] under this Section 12.5.7:

<u>Time of Termination</u>	<u>Maximum Aggregate Royalty Amount</u>	
[***]	EUR	[***]
[***]	EUR	[***]
[***]	EUR	[***]

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Sections 5.9 and 5.10 shall apply reciprocally to royalty payments by Pieris under this Section 12.5.7.

For the sake of clarity, any milestone and royalty payments [\*\*\*] in accordance to the terms of such sublicense or assignment.

12.5.8 If Sanofi decides to no longer maintain any patent that is subject to such license, Sanofi shall notify Pieris thereof and Pieris shall have [\*\*\*] days to notify Sanofi whether it is interested to have the concerned patent(s) assigned to Pieris or not and if Pieris fails to notify its interest Sanofi shall not be obligated to maintain the concerned patent and the license to Pieris shall be terminated as regards such patent(s).

12.5.9 Sanofi shall execute all documents and take all such further actions as may be reasonably requested by Pieris in order to give effect to the terms of this Section 12.5.

**SECTION 13  
GENERAL PROVISIONS**

13.1 Notices. Any consent, notice or report required or permitted to be given or made under this Agreement by one of the Parties to the other shall be in writing and delivered through registered mail with acknowledgement of receipt, and addressed to such other Party at its address indicated below, or to such other address as the addressee shall have last furnished in writing to the addressor, and shall be effective upon receipt by the addressee.

If to Sanofi:

Sanofi Pasteur SA  
2 avenue Pont Pasteur  
69007 Lyon, France  
Attention : General Counsel

Sanofi-Aventis  
174 avenue de France  
75013 Paris, France  
Attention : Legal Operations  
With a copy to : Licenses Administration

If to Pieris:

Pieris AG  
Lise-Meitner-Str. 30  
85354 Freising, Germany  
Attention : Chief Executive Officer

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13.2 Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of Germany, without regard to the conflicts of law principles thereof.

13.3 Dispute Resolution. The Parties recognize that disputes as to certain matters may from time to time arise which relate to either Party's rights and/or obligations hereunder. It is the intent and objective of the Parties to establish procedures to facilitate the resolution of such disputes in an expedient manner by mutual cooperation and without resort to litigation. Accordingly, any controversy or claim arising out of or relating to this Agreement, including any such controversy or claim involving Affiliates of any Party (each, a "Dispute"), shall be resolved as set forth in this Sections 13.3.

13.3.1 Escalation. Any Dispute shall be brought to the attention of a senior management representative of each Party, who shall attempt to resolve the Dispute in good faith. If, however, the senior management representatives of the Parties are unable to resolve a Dispute within [\*\*\*] days of being requested by a Party to do so, the CEOs or presidents (or their respective designee, provided the designee has authority to resolve the Dispute) of the Parties shall attempt in good faith to promptly resolve such Dispute within thirty [\*\*\*] days. If, following this subsequent thirty [\*\*\*]day period, the Dispute remains unresolved, then, Sections 13.3.2-13.3.4 shall apply.

13.3.2 [\*\*\*]. Following the process set forth in Section 13.3.1, any Dispute, other than Disputes which are specifically required to be decided by a neutral third party expert [\*\*\*]. [\*\*\*]

13.3.3 Attorneys Fees and Costs. Except as specifically provided in this Agreement, in the event of any dispute between the Parties arising out of or relating to this Agreement, the prevailing Party shall be entitled to recover from the unsuccessful Party all costs, expenses and actual attorneys' fees relating to or arising from (i) any litigation, arbitration or mediation relating to or arising from, this Agreement; and/or (ii) the enforcement of any judgment or award resulting from any such litigation, arbitration or mediation. Any such judgment or award shall contain a specific provision for the recovery of all costs, expenses and actual attorneys' fees incurred in enforcing any such judgment or award.

13.3.4 Third Party Expert Proceedings. In the event of a dispute on the fair market value [\*\*\*] as set forth in Section 1.29, either Party may initiate the resolution procedure contained in this Section 13 by delivery of written notice to the other Party thereof. If a Party delivers such notice, then within [\*\*\*] days after the other Party's receipt of such notice, the Parties shall either (i) discuss in good faith and agree upon a mutually acceptable independent expert to decide on the question in dispute, or (ii) if the Parties cannot reach such agreement within such [\*\*\*] day period, then each Party shall designate one (1) independent expert within an additional period of [\*\*\*] days, and a third (3<sup>rd</sup>) independent expert shall be appointed by the two (2) experts designated by the Parties. After the designation of the one (1) or three (3) (as applicable) experts, the Parties shall reasonably comply with the requests of such expert(s) with the objective of reaching a decision on the question in dispute within [\*\*\*] days after such expert(s) have been designated. The conclusion of the one (1) expert designated, or the majority of the three (3) experts designated (as applicable), shall be binding

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upon the Parties. All costs and expenses of the third party experts shall be shared between the Parties. Each Party shall bear its own costs in connection with any such third party expert proceeding.

13.4 **Assignment**. Except as otherwise expressly provided under this Agreement, neither Party may assign or otherwise transfer this Agreement or any right or obligation hereunder (whether voluntarily, by operation of law or otherwise), without the prior express written consent of the other Party; **provided however**, that (i) in the event a Party is acquired or is to be acquired by a third party by merger, acquisition, or the sale of substantially all of the assets of the division of such Party to which the subject matter of this Agreement relates, then such Party may effect such an assignment or transfer to such acquiring Third Party without the consent of the other Party, (ii) Sanofi shall be permitted to effect such an assignment or transfer to any of its Affiliates, without the consent of Pieris, and (iii) following the conclusion of Phase A for the last Program, Pieris shall be permitted to effect such an assignment or transfer to any of its Affiliates, with the consent of Sanofi which shall not be unreasonably withheld. Any purported assignment or transfer in violation of this Section 13.4 shall be null and void.

13.5 **Severability**. Each Party hereby agrees that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties hereto covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid, illegal or unenforceable, said renegotiated term, covenant or condition being deemed to be effective as of the Effective Date, it being the intent of the Parties that the basic purposes of this Agreement and the economical balance between the Parties as contemplated upon the execution of the Agreement are to be effectuated as nearly as possible.

13.6 **Headings**. The captions to the sections hereof are not a part of this Agreement, but are merely guides or labels to assist in locating and reading the sections hereof.

13.7 **Terminology**. Unless otherwise expressly specified, all references to days, months, quarters, semesters, years and the like shall mean calendar days, months, quarters, semesters, half-years or years and the words monthly, quarterly, annual or annually shall be considered as being references to calendar periods of time.

13.8 **Independent Contractors**. Nothing in this Agreement or in the course of business between Pieris and Sanofi shall make or constitute either Party a partner, employee, joint venturer or agent of the other. Neither Party shall have any right or authority to commit or legally obligate or bind the other in any way whatsoever including, without limitation, the making of any agreement, representation or warranty.

13.9 **Waiver**. The terms or conditions of this Agreement may be waived only by a written instrument executed by the Party waiving the benefit of a right hereunder. The waiver by a Party of any right hereunder shall not be deemed a continuing waiver of such right or of another right hereunder, whether of a similar nature or otherwise.

***Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

13.10 Modification. This Agreement (including the attached Exhibit(s) and this Section 13.10) shall not be amended or otherwise modified without a written document signed by a duly authorized representative of each Party. In the event that the terms of any Exhibit are inconsistent with the terms of this Agreement, this Agreement shall control, unless otherwise explicitly agreed to in writing by the Parties.

13.11 Entire Agreement. This Agreement (including the attached Exhibit(s)) contains the entire understanding of the Parties with respect to the subject matter hereof. All other express or implied representations, agreements and understandings with respect to the subject matter hereof, either oral or written, heretofore made are expressly superseded by this Agreement.

13.12 Counterparts; Facsimile. This Agreement may be executed in counterparts, each and every one of which shall be deemed an original and all of which together shall constitute one and the same instrument. Signing and delivery of this Agreement may be evidenced by an electronic transmission of the signed signature page to the other Party, provided however that such electronic signing and delivery is confirmed in written paper copy signed by and delivered to each Party promptly following electronic signing and delivery.

[Signatures continued on the following page]

***Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

IN WITNESS WHEREOF, the Parties have executed this Agreement in triplicate as of the Effective Date.

PIERIS AG

By : /s/ Stephen Yoder

Name : Stephen Yoder

Title : Chief Executive Officer

SANOFI- AVENTIS

By: /s/ Philippe Goupit

Name : Philippe Goupit

Title : Vice President, Corporate Licenses

SANOFI-PASTEUR SA

By : /s/ Wayne Pisano

Name : Wayne Pisano

Title : Chairman & Chief Executive Officer

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT 1.3

ANTICALIN TECHNOLOGY

**Technology appendix**

Anticalin Technology shall mean Anticalin Libraries, Anticalin Selection, Anticalin Expression and Anticalin Half-life Extension methods

Anticalin Libraries shall mean [\*\*\*]

Anticalin Selection shall mean [\*\*\*].

Anticalin Expression shall mean [\*\*\*]

Anticalin Half-life Extension shall mean [\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT 1.10

DEVELOPMENT PLAN  
**GENERIC CHECKLIST FOR IND ENABLING STUDIES**

[\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT 1.39

PIERIS BACKGROUND PATENT RIGHTS as of the Effective Date

PCT/DE/98/02898	Anticalins, filed: 25.09.1998
PCT/EP02/10490	Muteins of Human Neutrophil Gelatinase-Associated Lipocalin and Related Proteins, filed: 18.09.2002
PCT/EP04/009447	Muteins of Tear Lipocalin, filed: 24.08.2004
PCT/EP07/057971	Muteins of Tear Lipocalin and Methods for Obtaining the Same, filed: 01.08.2007
PCT/EP09/057925*	Muteins of hNGAL and Related Proteins with affinity for a given Target, filed: 24.06.2009
US prov. 61/267,098	Muteins of Human Lipocalin 2 (Lcn2, hNGAL) with affinity for a given target, filed: 07.12.2009

\*: owned by TUM, exclusive license to Pieris with right to grant sublicenses

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



EXHIBIT 1.45  
PROGRAM PLANS FOR INITIAL PROGRAMS

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*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**Success Criteria:** Key defined Deliverables, Milestones and Decision points [\*\*\*]

[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

Gantt chart for Phase A of [\*\*\*]

[\*\*\*]

[***]												
[***]	[***]	[***]	[***]									
[***]	[***]	[***]	[***]									
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[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
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[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]	[***]

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

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*Portions of the exhibit, indicated by the mark “\*\*\*,” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

[\*\*\*][\*\*\*]**Success Criteria:** key defined Deliverables, Milestones and Decision points [\*\*\*]Key defined deliverables, milestones and decision points for SA1.1/1.3:

[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

[\*\*\*]Key defined deliverables, milestones and decision points for SA1.2:

[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

[\*\*\*]Gantt chart for Phase A of [\*\*\*]

[\*\*\*]

[***]			
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
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[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]
[***]	[***]	[***]	[***]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

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*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT 2.1

**Program and Section 6.3 License Request Form**

(To be completed for each Program)

**Target(s)** requested pursuant to Section 2.1 of the COLLABORATION AND LICENSE AGREEMENT (define: by common name(s), accession number, and amino acid sequence, if possible):

SANOFI

By: \_\_\_\_\_

Name:

Title:

this day of \_\_\_\_\_,

PIERIS

By: \_\_\_\_\_

Name:

Title:

this day of \_\_\_\_\_,

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

EXHIBIT 2.6

Program Requests / Responses

\*\*\*

Such programs being described in detail in Exhibit 1.45

*Portions of the exhibit, indicated by the mark “\*\*\*,” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



**CONFIDENTIAL TREATMENT REQUESTED****Pieris AG**

Lise-Meitner-Straße 30  
 D-85354 Freising  
 Germany  
 P: +49 (0) 8161 1411 400  
 F: +49 (0) 8161 1411 444  
 Email: [info@pieris-ag.com](mailto:info@pieris-ag.com)

[www.pieris-ag.com](http://www.pieris-ag.com)

Freising, February 20, 2013

**Re: Adding a Third Program under the September 24th, 2010 Collaboration And License Agreement (“Agreement”) by and between Sanofi (formerly Sanofi-Aventis), Sanofi-Pasteur and Pieris.**

Dear Sirs,

This letter will confirm the understanding between Sanofi and Pieris regarding the addition of a third (3rd) Program as described in Appendix A hereof (“Third Program”) to the Agreement (“First Letter Agreement”). Accordingly, the Parties hereby agree that

- (i) the Period for a Program Request under Section 2.6(b)(ii) of the Agreement is hereby extended until the date of this First Letter Agreement;
- (ii) Sanofi hereby provides a Program Request, by virtue of a signed copy of Appendix A, for the Third Program in accordance with Section 2.1 of the Agreement;
- (iii) Pieris hereby provides a positive Program Response, by virtue of a counter-signed copy of Appendix A, for the Third Program in accordance with Section 2.2 of the Agreement, with such Third Program being licensed to Sanofi as specified in Section 6.3 of the Agreement; and
- (iv) all rights and obligations of the Parties as set forth in the Agreement with respect to any Program effectively initiated by and between the Parties under the Agreement shall apply to the Third Program.

Seite 1 von 2

**Sitz der Aktiengesellschaft:**

Lise-Meitner-Straße 30  
 85354 Freising-Weißenstephan Amtsgericht München  
 HRB 133223

**Vorstand:**

Stephen S. Yoder, Claus Schalper  
 Laurent Audoly

**Vorsitzender des Aufsichtsrates:**

Dr. Hans A. Kupper

**Bankverbindung:**

Deutsche Bank München  
 Konto-Nr.: 210 42 48  
 BLZ: 700 700 10  
 IBAN: DE12 70070010  
 0210424800  
 BIC (SWIFT Code): DEUTDEMM

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

If the terms of this First Letter Agreement are acceptable to Sanofi, please counter-sign two originals of this letter and return one original copy to Pieris for our records.

With best regards,

/s/ Stephen S. Yoder

---

Pieris AG

Freising, February 20, 2013

Agree this February 20<sup>th</sup>, 2013,

/s/ Philippe Goupit

---

Sanofi

/s/ Authorized Signatory

---

Sanofi Pasteur

<sup>1</sup> All upper-cased terms herein shall have the same meaning as ascribed to such terms in the Agreement.

Seite 2 von 2

**Sitz der Aktiengesellschaft:**

Lise-Meitner-Straße 30  
85354 Freising-Weißenstephan Amtsgericht München  
HRB 133223

**Vorstand:**

Stephen S. Yoder, Claus Schalper  
Laurent Audoly

**Vorsitzender des Aufsichtsrates:**

Dr. Hans A. Kupper

**Bankverbindung:**

Deutsche Bank München  
Konto-Nr.: 210 42 48  
BLZ: 700 700 10  
IBAN: DE12 70070010  
0210424800  
BIC (SWIFT Code): DEUTDEMM

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

Appendix A

Program and Section 6.3 License Request

Target(s) requested pursuant to Section 2.1 of the COLLABORATION AND LICENSE AGREEMENT (define: by common name(s), accession number, and amino acid sequence, if possible):

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

>[\*\*\*]

[\*\*\*]

SANOFI

By: /s/ Philippe Goupit

Name: Philippe Goupit

Title: Vice President Corporate Licenses

this 2nd day of February, 2013

PIERIS

By: /s/ Stephen S. Yoder

Name:

Title:

this 20th day of February, 2013

SANOFI PASTEUR

By: /s/ Authorized Signatory

Name:

Title:

this 8th day of April, 2013

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED****Collaboration Research and Technology Licensing Agreement**

This Definitive Collaboration Research and Technology Licensing Agreement (this "Agreement") is effective as of May 31, 2011 (the "Effective Date"), and is entered into by and between

**Pieris AG**, having its office at Lise-Meitner Str. 30, 85354 Freising-Weihenstephan, Germany ("Pieris"), and

**Daiichi Sankyo Company Limited**, having its principal place of business at 3-5-1 Nihonbashi-honcho, Chuo-ku, Tokyo, 103-8426 Japan ("DS").

Pieris and DS are referred to herein individually as a "Party", and collectively "Parties".

**RECITALS**

WHEREAS, Pieris and DS desire to carry out certain research collaboration arrangements using Pieris' Anticalin Technology, and have agreed upon the basic terms for the collaboration in that certain Collaboration Research and Technology Licensing Agreement (the "Initial Agreement") executed by the Parties on the Initial Agreement Effective Date (as defined below).

WHEREAS, according to Section 12 of the Initial Agreement, the Parties agreed to execute a definitive agreement relating to their collaboration within sixty (60) days of the Initial Agreement Effective Date.

WHEREAS, this Agreement constitutes the definitive agreement contemplated by Section 12 of the Initial Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Pieris and DS agree as follows:

**1. DEFINITIONS**

"Affiliate" shall mean, with respect to any person or entity, any other person or entity, which directly or indirectly controls, is controlled by, or is under common control with, such person or entity. A person or entity shall be regarded as in control of another person or entity if it owns, or directly or indirectly controls, more than fifty percent (50%) of the voting stock or other ownership interest of the other person or entity, or if it directly or indirectly possesses the power to direct or cause the direction of the management and policies of the other person or entity by any means whatsoever.

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

“**Anticalin**” means, whether in nucleic acid or protein form, (i) any lipocalin mutein isolated from an Anticalin Library [\*\*\*] that [\*\*\*], or (ii) any lipocalin mutein that, in each case, has been derived (either physically, intellectually or by reverse engineering, in one (1) or more steps) from any lipocalin mutein referred to in Section (i) of this definition.

“**Anticalin Library**” shall have the meaning set forth in Exhibit B.

“**Anticalin Technology**” shall have the meaning set forth in Exhibit B.

“**Background Technology**” means (i) any intellectual property and know-how within Pieris’ or DS’ pre-existing technology existing as of the Initial Agreement Effective Date and which such Party has the right to license to the other Party as provided for herein; and (ii) any improvements to Pieris’ Anticalin Library that has been generated or conceived by Pieris following the Initial Agreement Effective Date and which Pieris has the right to license to DS as provided for herein. For the avoidance of doubt, as of the Effective Date it is the Parties’ understanding that the Patent Rights listed in Exhibit C will be the Patent Rights included in the Background Technology relevant for the collaboration under this Agreement.

“**BLA/NDA**” shall mean a Biologics License Application, New Drug Application, Product License Application or any similar application for marketing authorizations submitted to the FDA or any comparable application for marketing authorizations in any other country.

“**Collaboration Research**” means research and development activities carried out by or on behalf of Pieris and/or DS to identify or generate Project Compounds and/or Licensed Products in accordance with a Project Plan.

“**Commercially Reasonable Efforts**” means those efforts consistent with prudent business judgment devoting at least the same degree of attention and diligence to such efforts that DS devotes to such activities for its own products [\*\*\*], provided that Commercially Reasonable Efforts shall be deemed not to have been met [\*\*\*]. For the avoidance of doubt, [\*\*\*] shall not constitute a factor to be taken into account in the determination of Commercially Reasonable Efforts.

“**Confidential Information**” is defined in Section 8.1.

“**Development Milestone**” means the success criteria defined for the Development Milestone payments set forth in Section 5.6.

“**DS Foreground Technology**” means any Foreground Technology [\*\*\*].

“**DS Target**” means each of two (2) targets selected by DS and confirmed by Pieris as available for licensing to DS under this Agreement in accordance with Section 2.1. The first DS Target is listed on Exhibit D.

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

“**Effective Date**” is defined on the cover page of this Agreement.

“**Foreground Technology**” means any intellectual property, know-how and data generated or conceived by or on behalf of [\*\*\*] from the activities under this Agreement and [\*\*\*].

“**Indication**” means ([\*\*\*) those indications defined by [\*\*\*] (e.g. [\*\*\*]); and all indications [\*\*\*] [\*\*\*] (e.g. [\*\*\*)” shall be understood to belong to the same one Indication. The current online version of [\*\*\*].

“**Initial Agreement**” is defined in the Preamble of this Agreement.

“**Initial Agreement Effective Date**” shall mean March 31, 2011.

“**Joint Research Committee**” or “**JRC**” means the committee established in accordance with Article 6.

“**Licensed Product**” means a product containing a Project Compound, which [\*\*\*].

“**Net Sales**” shall mean the gross amount billed or invoiced by DS or any of its Affiliates or Sublicensees to third parties throughout the Territory for sales or other dispositions or transfers for value of Licensed Products less (a) allowances for normal and customary trade, quantity and cash discounts (including discounts imposed by way of wholesaler fees) actually allowed and taken, (b) transportation, insurance and postage charges, if prepaid by DS or any Affiliate or Sublicensee of DS and included on any such party’s bill or invoice as a separate item, (c) credits, rebates, or returns pursuant to agreements (including, without limitation, managed care agreements) or government regulations, to the extent any of the foregoing is actually allowed, and (d) sales, use and other consumption taxes incurred, to the extent included on the bill or invoice as a separate item.

“**Patent Right**” means, with respect to any technology or product, (a) all patent applications heretofore or hereafter filed or having legal force in any country to the extent and only to the extent they claim or cover such technology or product or the use thereof (b) all patents that have issued or in the future issue from such applications, including without limitation utility model and design patents and certificates of invention and (c) all divisionals, continuations, continuations-in-part, supplemental protection certificates, re-issues, re-examinations, renewals, extensions or additions to any such patent applications or patents.

“**Phase I Clinical Trial**” shall mean any human clinical study in any country designed to evaluate the safety, tolerability and pharmacokinetics effect of a drug in volunteer subjects or patients that would satisfy the requirements of 21 US CFR 312.21(a), or other comparable regulation imposed by the FDA, the EMA, the MHLW or their foreign counterparts.

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

“Phase II Clinical Trial” shall mean any controlled human clinical study conducted to evaluate the effectiveness of the drug for a particular indication in patients with the disease or condition under study and/or to determine the common short-term side effects and risks associated with a drug that would satisfy the requirements of 21 US CFR 312.21(b) or other comparable regulation imposed by the FDA, the EMA, the MHLW or their foreign counterparts.

“Phase III Clinical Trial” shall mean any expanded human clinical study intended to gather additional information about effectiveness and safety needed to evaluate the overall benefit-risk relationship of a drug for a particular indication that would satisfy the requirements of 21 US CFR 312.21(c) or other comparable regulation imposed by the FDA, the EMA, the MHLW or their foreign counterparts.

“Phase A” means, for each Program relating to a DS Target, the period [\*\*\*].

“Phase B” means, for each Program relating to a DS Target, the period [\*\*\*].

“Pieris Foreground Technology” means any Foreground Technology [\*\*\*].

“Program” shall mean, for each DS Target, the research, development and commercialization activities to be performed by either Party in relation to such DS Target pursuant to the terms of this Agreement.

“Project Compound” means [\*\*\*] which is conceived, reduced to practice and/or developed by or on behalf of [\*\*\*], as well as any fragments or derivatives thereof.

“Project Plan” means the research plan including roles and responsibilities between the Parties for [\*\*\*] of a Program, which shall contain [\*\*\*].

“Research License” is defined in Section 3.1.

“Research Milestone” means [\*\*\*].

“Sublicensee” is defined in Section 3.4.

“Territory” means worldwide.

“Valid Patent Claim” means any claim of an issued, unexpired patent right included in the Pieris Background Technology or the Pieris Foreground Technology that has not been held invalid or unenforceable in a final decision of a court or administrative authority of competent jurisdiction from which decision no appeal may be taken, and, for those jurisdictions where re-issue, re-examination, disclaimer or similar proceedings are available, which claim has not been disclaimed or admitted or determined to be invalid or unenforceable through re-issue, re-examination, disclaimer or otherwise.

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## **2. INITIATION AND PERFORMANCE OF COLLABORATION RESEARCH**

2.1 **Nomination of DS Targets.** The Parties agree to collaborate in relation to two (2) DS Targets pursuant to the terms and conditions of this Agreement. The first DS Target is listed on Exhibit D. The second DS Target shall be nominated [\*\*\*], but in any event [\*\*\*]. Provided that such second DS Target proposed by DS is not the subject matter of (i) [\*\*\*] or (ii) [\*\*\*], Pieris shall confirm that such nominated second DS Target is available for licensing to DS under this Agreement within [\*\*\*] days of Pieris' receipt of DS' nomination notice. Notwithstanding the foregoing, in case that any second DS Target nominated by DS is not available for licensing to DS because of the abovementioned reason, DS may nominate the second DS Target [\*\*\*], **provided that** DS makes a substitute nomination within [\*\*\*] days of DS after any written response by Pieris that the nominated DS Target is not available for licensing, until such time as [\*\*\*].

2.2 **Project Plans.** The Collaboration Research for each DS Target shall be performed in accordance with the Project Plan agreed in relation to such DS Target. The Project Plan applicable to the first DS Target is set forth in Exhibit A. The Project Plan for the second DS Target shall be discussed between the Parties and agreed upon by the JRC [\*\*\*] no later than [\*\*\*] days following Pieris' confirmation that such second DS Target is available for licensing pursuant to Section 2.1 above. Following the execution of any Project Plan, such Project Plan may only be amended by a decision of the JRC in accordance with Section 6.3.

2.3 **Commencement of Programs.** Pieris will commence the Collaboration Research activities for the first DS Target in accordance with the Project Plan as promptly as reasonably possible following the Initial Agreement Effective Date, but no later than [\*\*\*] months thereafter, provided that [\*\*\*]. Pieris will commence the Collaboration Research activities for the second DS Target [\*\*\*], but in any event [\*\*\*] than (i) [\*\*\*] months [\*\*\*] and (ii) [\*\*\*] months [\*\*\*] [\*\*\*] as specified in the Project Plan.

2.4 **Conduct of Phase A.** In Phase A of each Program, Pieris shall use its good faith reasonable efforts to [\*\*\*] (as specified in the Project Plan) [\*\*\*]. DS shall provide [\*\*\*] under the Project Plan [\*\*\*] in connection with [\*\*\*] under the Project Plan (such as, e.g., [\*\*\*]). Pieris shall [\*\*\*] under the Project Plan or this Agreement. Pieris shall keep DS fully informed as to its progress, results, status and plans for performing and implementing the Project Plan. Such information shall be given during the JRC meetings or more often, as necessary.

2.5 **End of Phase A; Decision Point for DS to enter Phase B.** Phase A shall end at the earlier of [\*\*\*]. Following the end of Phase A of each Program, DS shall inform Pieris by written notice within [\*\*\*] days whether it wishes to enter into Phase B of the relevant Program. In the event that [\*\*\*], [\*\*\*]. In such event, the relevant Program shall [\*\*\*]-day period.

2.6 **Conduct of Phase B.** If DS informs Pieris in writing that it wishes to enter into Phase B in accordance with Section 2.5, [\*\*\*], to (i) [\*\*\*] and (ii) [\*\*\*]. During Phase B of each Program, DS shall keep Pieris reasonably informed as to [\*\*\*] days

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following the end of every half calendar year. Each such written report shall be sufficiently detailed to demonstrate that DS continues to apply Commercially Reasonable Efforts in relation to the relevant Program in accordance with its obligations under this Agreement, and shall include [\*\*\*].

2.7 Remedy for Failure to Meet Diligence Obligations. In the event that Pieris believes that DS has failed to comply with its diligence obligations under Section 2.6 in relation to a Program, Pieris shall notify DS in writing. Following [\*\*\*] days of such notice, Pieris shall be entitled to terminate the relevant Program in writing, unless DS (i) has remedied the alleged failure in complying with its diligence obligations within such [\*\*\*]-day period or (ii) by written notice reasonably disputes that it has failed to comply with its diligence obligations and provides Pieris with specific documents evidencing how DS complied with its diligence obligations under Section 2.6. If Pieris receives such notice within the above [\*\*\*]-day period, and the Parties cannot reach agreement with respect to such dispute within [\*\*\*] days following receipt of such notice, [\*\*\*] in accordance with [\*\*\*] pursuant to [\*\*\*].

### 3. LICENSES

3.1 Research License. Subject to the terms and conditions herein, Pieris grants to DS, on a [\*\*\*], an exclusive [\*\*\*], [\*\*\*], [\*\*\*] license in the Territory, under the Pieris Background Technology and the Pieris Foreground Technology, to use, have used, make, have made, and import Project Compounds [\*\*\*], solely for research purposes (the "Research License"). For clarity, DS may [\*\*\*].

3.2 Term of Research License. The Research License shall, for each DS Target, commence upon [\*\*\*] and shall expire [\*\*\*] as defined in Section [\*\*\*].

3.3 Commercial License. Following the decision of DS [\*\*\*] pursuant to Section [\*\*\*], Pieris hereby grants to DS:

- (i) an exclusive license in the Territory, under the Pieris Background Technology and the Pieris Foreground Technology, to develop, have developed, make, have made, use, have used, sell, offer for sale, have sold, import and export Licensed Product in the field of [\*\*\*]; and
- (ii) subject to Section 5.8, a non-exclusive license in the Territory, under the Pieris Background Technology and the Pieris Foreground Technology, to develop, have developed, make, have made, use, have used, sell, offer for sale, have sold, import and export Licensed Product in the field of [\*\*\*].

The license under Section 3.3(i) shall become fully-paid up, royalty free, non-exclusive on a [\*\*\*] basis at the end of the relevant Royalty Term as set forth in Section 5.10.

3.4 Sublicenses. DS may sublicense the commercial licenses granted under Section 3.3 above to Affiliates or any third parties (each, a "Sublicensee"), provided that the [\*\*\*]. DS shall inform Pieris of any sublicense granted pursuant to this Section 3.4 in writing.

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**4. NON-COMPETE**

Pieris shall not, (i) [\*\*\*] and (ii) [\*\*\*], [\*\*\*] conduct research or commercial activities (in either case) in the field of [\*\*\*] [\*\*\*] as a DS Target using Pieris' Anticalin patents and Pieris' Anticalin know-how on its own or with any third parties.

**5. PAYMENTS**

5.1 Upfront Payments. Pieris hereby confirms that DS has paid to Pieris the non-refundable, non-creditable upfront payments set forth in Section 7.1 of the Initial Agreement.

5.2 Research Funding. DS shall pay to Pieris, [\*\*\*], within [\*\*\*] days after receiving a corresponding invoice from Pieris, research funding in the amount of [\*\*\*] Euros (EUR [\*\*\*]) per [\*\*\*] per [\*\*\*] put into (i) [\*\*\*] in accordance with the Project Plan, and (ii) any extra research activities, if requested by DS and agreed upon by Pieris.

5.3 Research Milestones. DS shall pay to Pieris Research Milestone payments [\*\*\*] within [\*\*\*] days after the occurrence of the relevant Research Milestone event. With respect to the first DS Target, the following Research Milestone payments shall apply:

<u>No.</u>	<u>Milestone Payment</u>	<u>Research Milestone Event</u>
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]

With respect to the second DS Target, the Parties will agree on [\*\*\*] within the framework of the relevant Project Plan.

5.4 Reporting on Research Milestone Achievement. Pieris shall provide written notice to DS of any occurrence of Research Milestones [\*\*\*] under any Program, and

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DS shall provide written notice to Pieris of any occurrence of Research Milestones [\*\*\*] under any Program. If DS agrees that Research Milestones [\*\*\*] have been met, it shall notify Pieris accordingly within [\*\*\*] days. Once the occurrence of a Research Milestone has been agreed between the Parties, Pieris shall send DS an invoice for the relevant Research Milestone payment which shall be payable within [\*\*\*] days. In the event of any disagreement between DS and Pieris whether a Research Milestone has been met, such dispute may be escalated by either Party in accordance with Section 12.3.

In any event, [\*\*\*].

5.5 Timelines for Research Milestones. Notwithstanding the foregoing, if, in relation to the first Program:

- (i) [\*\*\*] within [\*\*\*] months from commencement by Pieris of the research activities under Phase A, or
- (ii) [\*\*\*] within [\*\*\*] months from [\*\*\*], or
- (iii) [\*\*\*] within [\*\*\*] months from [\*\*\*], or
- (iv) [\*\*\*] within [\*\*\*] months from [\*\*\*],

then (in any of the foregoing cases) DS and Pieris shall discuss in good faith whether [\*\*\*]. The Parties will agree on similar timelines for the second Program within the framework of the relevant Project Plan.

If DS [\*\*\*] after the expiration of the relevant timeline, then (i) to the extent the Parties agree in good faith [\*\*\*], the Parties will discuss in good faith how to [\*\*\*] and the Parties will [\*\*\*] with Section [\*\*\*] governing [\*\*\*], or (ii) to the extent the Parties agree in good faith that [\*\*\*] the corresponding [\*\*\*] shall be regarded [\*\*\*].

If DS does not wish to [\*\*\*], it shall [\*\*\*] pursuant to Section [\*\*\*] and the licenses and rights [\*\*\*] under this Agreement [\*\*\*] including all [\*\*\*].

5.6 Development Milestones for [\*\*\*]. DS shall pay to Pieris the following Development Milestone payments for Licensed Products in the field of [\*\*\*], as set forth below, in each case within [\*\*\*] after the occurrence of the following events:

<u>No.</u>	<u>Milestone Payment</u>	<u>Development Milestone Event</u>
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]

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The Development Milestone payments for [\*\*\*] shall be [\*\*\*] of the [\*\*\*] for such Licensed Product set forth above; and the Development Milestones for [\*\*\*] shall be [\*\*\*] of the [\*\*\*] set forth above. [\*\*\*].

[\*\*\*].

5.7 Sales Milestones for [\*\*\*]. DS shall pay to Pieris the following sales milestone payments [\*\*\*], [\*\*\*] as set forth below, in each case within [\*\*\*] days after the occurrence of the following events:

<u>No.</u>	<u>Milestone Payment</u>	<u>Sales Milestone Event</u>
[***]	EUR [***]	[***]EUR [***]
[***]	EUR [***]	[***]EUR [***]
[***]	EUR [***]	[***]EUR [***]

5.8 [\*\*\*] Milestones. DS shall pay to Pieris the following [\*\*\*] milestone payments [\*\*\*][\*\*\*], [\*\*\*] as set forth below, in each case within [\*\*\*] days after the occurrence of the following events:

<u>No.</u>	<u>Milestone Payment</u>	<u>Diagnostic Milestone Event</u>
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]
[***]	EUR [***]	[***]

5.9 Reporting on Development Milestone and Sales Milestone Achievement. DS shall provide written notice to Pieris (i) of any occurrence of any of the Development

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Milestones set forth in Sections 5.6 and 5.7 no later than [\*\*\*] days following the occurrence of the relevant milestone event and (ii) of any occurrence of any of the sales milestones set forth in Section 5.8 no later than [\*\*\*] days following [\*\*\*]. Upon receipt of any of the aforesaid notices, Pieris shall send DS a corresponding invoice, which shall be payable within [\*\*\*] days.

5.10 Royalties. DS shall pay to Pieris, [\*\*\*], tiered royalties on [\*\*\*] Net Sales generated by DS, its Affiliates and Sublicensees from the commercialization of Licensed Products for [\*\*\*] at the following rates:

<u>Royalty</u>	<u>Worldwide Annual Net Sales</u>
[***]	[***] Net Sales [***]EUR [***]
[***]	[***] Net Sales [***]EUR [***]
[***]	[***] Net Sales [***]EUR [***]

(Example: If, [\*\*\*], [\*\*\*] reach EUR [\*\*\*], the royalty payable to Pieris will be: EUR [\*\*\*] x [\*\*\*] + EUR [\*\*\*] x [\*\*\*] + EUR [\*\*\*] x [\*\*\*].)

DS shall pay to Pieris, during the Royalty Term, royalties on [\*\*\*] Net Sales generated by DS, its Affiliates and Sublicensees from the commercialization of Licensed Products [\*\*\*] at the rate of: [\*\*\*] for [\*\*\*] Net Sales [\*\*\*] EUR[\*\*\*]; [\*\*\*] for [\*\*\*] Net Sales [\*\*\*]EUR [\*\*\*], but [\*\*\*]; and [\*\*\*] for [\*\*\*] Net Sales [\*\*\*] EUR[\*\*\*].

The "Royalty Term" shall be, on a [\*\*\*] basis, the time period [\*\*\*] and ending on the later of (i) the [\*\*\*] and (ii) [\*\*\*]. In case that there is [\*\*\*], then [\*\*\*]. For the purposes of this Agreement, "[\*\*\*]" means [\*\*\*] in the relevant country with, [\*\*\*] [\*\*\*] [\*\*\*] in that country (and "[\*\*\*]" means, with respect to a Licensed Product, (i) [\*\*\*], or (ii) [\*\*\*]. If, at the time of expiration of the Royalty Term, there exists any other Pieris patents than Pieris Royalty Bearing Patent Claims that are reasonably required for freedom to operate to commercialize such Licensed Product as contemplated herein, [\*\*\*].

5.11 Taxes.

5.11.1 Withholding Tax. If applicable laws or regulations require withholding taxes on the payments provided in this Section 5, such taxes will be deducted by DS from such payments in an amount and will be paid by DS to the proper taxing authority, and proof of tax payment shall be sent to Pieris. The Parties agree to reasonably cooperate with each other to proceed exemptions from any double taxation. Notwithstanding the foregoing, DS shall not be permitted to reduce any fees related to FTE payments.

5.11.2 VAT. The consideration set forth in this Agreement excludes value added tax (VAT) and any VAT that becomes payable shall be paid by DS in addition to the consideration.

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**5.12 Other Payment Terms.**

5.12.1 Currency, Payment Costs. DS shall make the payments [\*\*\*] Euro. Where the payments due to Pieris are being converted from a currency [\*\*\*] Euro, conversion of Net Sales recorded in local currencies to Euros shall be performed in a manner consistent with DS' normal practices used to prepare its audited financial statements for internal and external reporting purposes, which uses a widely accepted source of published exchange rates. All payments will be made [\*\*\*].

5.12.2 [\*\*\*] Royalty Reporting. All royalty payments will be made at [\*\*\*] intervals. Within [\*\*\*] days of the end of each [\*\*\*] after the first commercial sale of the relevant Licensed Product in [\*\*\*], DS shall prepare a statement which shall show on a [\*\*\*] basis for the previous [\*\*\*] all Net Sales of each Licensed Product by DS, its Affiliates and Sublicensees and all moneys due to Pieris based on such Net Sales. This statement shall include details of Net Sales broken down to show [\*\*\*] of the sales and the total Net Sales in [\*\*\*] and shall be submitted to Pieris within such [\*\*\*] day period and the amount due shall be paid by DS within [\*\*\*] days from receipt of the corresponding invoice from Pieris.

5.12.3 Records. DS shall keep, and shall procure that all Affiliates and Sublicensees, keep, true and accurate records and books of account containing all data necessary for the calculation of the amounts payable by it to Pieris pursuant to this Agreement. Those records and books of account shall be kept for [\*\*\*] years following the end of the calendar year to which they relate. Upon Pieris' written request, a firm of accountants appointed by agreement between the Parties (or, failing such agreement within [\*\*\*] days of the initiation of discussions between them on this point, Pieris shall have the right to cause an international firm of independent certified public accountants that has not performed auditing or other services for either Party or their Affiliates and is acceptable to DS, such acceptance not to be unreasonably withheld) shall have the right to inspect such records and books of account. In particular such firm:

- (i) shall be given access to and shall be permitted to examine and copy such books and records DS, its Affiliates and Sublicensees upon [\*\*\*] days' notice having been given by Pieris and at all reasonable times on business days for the purpose of certifying that the Net Sales or other relevant sums calculated by DS, its Affiliates and Sublicensees during the current and the [\*\*\*] years were reasonably calculated, true and accurate or, if this is not their opinion, certify the Net Sales figure or other relevant sums for such period which in their judgment is true and correct;
- (ii) prior to any such examination taking place, such firm of accountants shall undertake to DS that they shall keep all information and data contained in such books and records, strictly confidential and shall not disclose such information or copies of such books and records to any third person including Pieris, but shall only use the same for the purpose of calculations which they need to perform in order to issue the certificate to which this Section envisages;

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- (iii) any such access examination and certification shall occur during DS's normal business hours and no more than [\*\*\*] per [\*\*\*];
- (iv) DS, its Affiliates and Sublicensees shall make available personnel to answer queries on all books and records required for the purpose of that certification;
- (v) any amount shown by the accountant to be owed but overpaid or underpaid and in need of reimbursement shall be paid or refunded (as the case may be) within [\*\*\*] days from receipt of the corresponding invoice from the Party to which money is due pursuant to the accountant report, and
- (vi) the cost of the accountant (including reasonable attorneys' fees of Pieris, if applicable) shall be the responsibility of DS if the certification shows it to have underpaid monies to Pieris by more than [\*\*\*] and the responsibility of Pieris otherwise.

5.12.4 Payments Made by Wire Transfer. All payments made to Pieris under this Agreement shall be made by wire transfer to the following bank account of Pieris, or such other bank account as notified by Pieris to DS from time to time:

Pieris AG  
[\*\*\*]  
Account No.: [\*\*\*]  
BLZ (Routing Number): [\*\*\*]  
IBAN: [\*\*\*]  
BIC (SWIFT Code): [\*\*\*]

5.12.5 Late Payments. If DS fails to make any payment to Pieris hereunder on the due date for payment, without prejudice to any other right or remedy available to Pieris, Pieris shall be entitled to charge DS interest of the amount unpaid [\*\*\*], calculated on a [\*\*\*] basis until payment in full is made without prejudice to Pieris' right to receive payment on the due date.

## **6. JOINT RESEARCH COMMITTEE**

6.1. Establishment of JRC. Within [\*\*\*] days following Effective Date of the Agreement, Pieris and DS shall establish a Joint Research Committee (comprising equal representation by each Party and at least [\*\*\*] but not more than [\*\*\*] members from each Party) to [\*\*\*]. JRC member shall have sufficient authority to ensure acceptance and execution of JRC decisions within its organization. Each Party may appoint substitutes or alternates for its JRC members at any time by written notice to the other Party.

6.2. Meetings; Quorum. JRC meetings will be held quarterly (with in-person meetings twice a year), or any other frequency agreed between the Parties, during Phase

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A. Each Party may invite non-voting participants to the JRC meetings. The JRC shall be furnished in advance by the Program managers with a reasonably detailed report on the progress of the Program and decisions that are requested under Phase A. At each JRC meeting, at least [\*\*\*] JRC members from each Party shall constitute a quorum and, therefore, need to be present in person or by telephone or video conference in order to take decisions.

6.3. Decisions. Any decisions on the activities of Phase A shall be made by consensus between DS and Pieris, provided however, that, if the JRC is unable to decide any matter by consensus, then such matter shall be decided by DS. Notwithstanding the foregoing, (i) [\*\*\*] and (ii) [\*\*\*]. Within [\*\*\*] days following each JRC meeting, the Parties shall prepare in an alternating fashion and distribute reasonably detailed written minutes of such meeting for approval by the other Party, which minutes shall constitute Confidential Information of each Party.

6.4 Role of JRC after Phase A. During the period of Phase B, DS will keep Pieris reasonably informed by delivering to Pieris a written report in relation to the relevant Program pursuant to Section 2.6; and upon mutual agreement of the Parties, the JRC will be convened to discuss matters related to the development of the Project Compound.

6.5 Science Meetings. Both Parties shall hold joint science meetings to discuss and consult on the activities of the Phase A, once per month or such agreed frequency between the Parties, by video conference, teleconference or face to face, as mutually agreed between the Parties.

## **7. INTELLECTUAL PROPERTY**

7.1 Background Technology. Each Party shall solely own, and will continue to solely own, all intellectual property rights and know-how in its pre-existing technology existing as of the Initial Agreement Effective Date or developed outside of the Collaboration Research.

7.2 Inventorship in Foreground Technology. The inventorship for any invention, improvements and discoveries, whether patentable or unpatentable, arising or derived from the course of the Collaboration Research shall be decided in accordance with the [\*\*\*].

### 7.3 Ownership and Prosecution of Foreground Technology.

7.3.1 [\*\*\*] Ownership in Foreground Technology. [\*\*\*] shall [\*\*\*] Foreground Technology as well as all improvements to [\*\*\*]. It is the intent of the Parties to pursue intellectual property rights on [\*\*\*] Foreground Technology relating to Project Compounds in a collaborative manner, with the intent to maximize the scope of intellectual property protection for Project Compounds. Therefore, despite its ownership

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interest in [\*\*\*] Foreground Technology, [\*\*\*] may not file, prosecute, withdraw, maintain or abandon any patent applications relating to any Project Compound [\*\*\*], handle any dispute relating to any such patent applications, or decide not to do any of them, without the prior written agreement from [\*\*\*] (including agreement per e-mail), which shall not be unreasonably withheld. [\*\*\*] shall be responsible for any cost of such filing, prosecution, withdrawal, maintenance and abandonment of patent applications or patents based thereon prior to any assignment by [\*\*\*] interest in such [\*\*\*] Foreground Technology in accordance with Section 7.3.2.

7.3.2 Transfer of Pieris Foreground Technology. Upon DS's decision to enter into Phase B pursuant to Section 2.5 above in relation to any Project Compound, Pieris shall assign, without any additional fees or costs, all interests and ownership in any Pieris Foreground Technology relating to such Project Compound to DS, provided that all financial terms under this Agreement shall remain unaffected by such assignment. [\*\*\*] DS shall provide reasonable advanced written notice to Pieris before abandoning any Pieris Foreground Technology assigned to DS, in which case Pieris shall have the right to assume, without any additional fees or costs, ownership of such Pieris Foreground Technology as well as the right to continue prosecution and/or maintenance thereof. Pieris shall not assign any such Pieris Foreground Technology reverted back to Pieris to any third party unless Pieris first offers in writing to assign such technology on substantially the same terms to DS and DS does not accept such offer in writing within [\*\*\*] days thereof. In case that Pieris assigns any such Pieris Foreground Technology reverted back to Pieris to a third party, then such technology shall be excluded from Pieris Foreground Technology thereafter.

7.3.3 [\*\*\*] Ownership in Foreground Technology. [\*\*\*] shall [\*\*\*] Foreground Technology, and [\*\*\*] shall have the right (but not the obligation), at its sole expense and sole discretion, to control the preparation, filing, prosecution, maintenance and enforcement of all Patent Rights applicable to any [\*\*\*] Foreground Technology.

7.4 Enforcement.

7.4.1 Enforcement of Pieris Foreground Technology within Scope of Exclusive License. To the extent and for as long as the Pieris Foreground Technology has been (i) exclusively licensed to DS pursuant to Section 3.3(i) or (ii) assigned to DS pursuant to Section 7.3.2, DS shall have the first right (but not the obligation), [\*\*\*] Prior to undertaking any such action to enforce such Pieris Foreground Technology, DS shall notify Pieris in writing. The Parties shall reasonably cooperate with each other in the planning and execution of any such action to enforce such Pieris Foreground Technology (including the obligation to be named or joined as a party in a lawsuit, as applicable), [\*\*\*]. All monies recovered upon the final judgment or settlement of any such suit or action to enforce such Pieris Foreground Technology shall be treated as [\*\*\*]. In the event that DS does not wish to enforce such Pieris Foreground Technology against such a potential infringer, then DS shall deliver prompt written notice thereof to Pieris. For the avoidance of doubt, [\*\*\*].

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In the event that DS delivers to Pieris written notice described in the previous paragraph that DS does not wish to enforce such Pieris Foreground Technology against such a potential infringer, then Pieris shall have the option to assume the right (but not the obligation), [\*\*\*]. If Pieris timely exercises such option, then (i) Pieris shall thereafter assume the rights and obligations attributed to DS under the preceding paragraph, and (ii) DS shall thereafter assume the rights and obligations attributed to Pieris under the preceding paragraph; provided that monies recovered upon the final judgment or settlement of any such suit or action to enforce such Pieris Foreground Technology shall be applied in the following order of priority: (x) first, [\*\*\*]; and (y) thereafter, any remainder shall be [\*\*\*].

7.4.2 Other Enforcements. In all other cases the Party owning the relevant Patent Rights shall have the exclusive right to enforce such Patent Rights in its own name and at its own cost and risk.

7.5 Cooperation. Each Party agrees to cooperate with, and perform such lawful acts and execute such documents in order to reasonably assist, the other Party with respect to the preparation, filing, prosecution, defense, enforcement and maintenance of Patent Rights pursuant to this Article 7. Furthermore, the Parties shall cooperate with each other in gaining patent term extensions wherever applicable to any of the Foreground Technology.

## **8. CONFIDENTIALITY**

8.1 Confidential Information. “Confidential Information” shall mean all trade secrets or confidential or proprietary information designated as such in writing by the disclosing Party, whether by letter or by the use of an appropriate stamp or legend, prior to or at the time any such trade secret or confidential or proprietary information is disclosed by the disclosing Party to the receiving Party. Notwithstanding the foregoing, information which is orally or visually disclosed to the receiving Party by the disclosing Party, or is disclosed in writing without an appropriate letter, stamp or legend, shall constitute Confidential Information if (i) it would be obvious to a reasonable person, familiar with the disclosing Party’s activities and the industry in which it operates, that such information is of a confidential or proprietary nature, or if (ii) the disclosing Party, within [\*\*\*] days after such disclosure, delivers to the receiving Party a written document or documents describing such information and notifying it as proprietary or confidential.

8.2 Confidentiality. During the Term, and for a period of [\*\*\*] years thereafter, each Party shall:

- (i) except to the extent permitted by this Agreement or otherwise agreed to in writing, keep confidential and not disclose to any third party any Confidential Information of the other Party;

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- (ii) except in connection with the activities contemplated by or the exercise of rights permitted by this Agreement or as otherwise agreed to in writing, not use for any purpose any Confidential Information of the other Party; and
- (iii) take all reasonable precautions to protect the Confidential Information of the other Party (including all precautions a Party employs with respect to its own confidential information of a similar nature and taking reasonable precautions to assure that no unauthorized use or disclosure is made by others to whom access to the Confidential Information of the Party is granted).

8.3 **Exceptions.** Notwithstanding anything set forth in this Article 8 to the contrary, the obligations of Section 8.2 above shall not apply to the extent that the Party seeking the benefit of the exclusion can demonstrate that the Confidential Information of the other Party:

- (i) was already known to the receiving Party, other than under an obligation of confidentiality, at the time of receipt by the receiving Party;
- (ii) was generally available to the public or otherwise part of the public domain at the time of its receipt by the receiving Party;
- (iii) became generally available to the public or otherwise part of the public domain after its receipt by the receiving Party other than through any act or omission of the receiving Party in breach of this Agreement;
- (iv) was received by the receiving Party without an obligation of confidentiality from a third party having the right to disclose such information without restriction;
- (v) was independently developed by or for the receiving Party without use of or reference to the Confidential Information of the other Party;
- (vi) was released from the restrictions set forth in this Agreement by express prior written consent of the other Party; or
- (vii) is required to be disclosed by court order or any competent government authority or under applicable stock exchange or similar rules or regulations, in which case the receiving Party will provide reasonable advanced written notice to the disclosing Party and will use reasonable efforts to limit public disclosure of the Confidential Information by seeking a protective order or similar protection permitted under applicable law.

If any of the Confidential Information becomes subject to the exceptions above, then the receiving Party shall all the same not disclose to any third party the fact that such information was received from or used by the disclosing Party, unless such fact becomes subject to the exceptions listed in subsections (i)-(vii) above.

***Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

## CONFIDENTIAL TREATMENT REQUESTED

The Confidential Information shall not be deemed to be in the public domain merely because any part of the Confidential Information is embodied in any general disclosure or because individual features, components or combinations thereof are known to the public.

8.4 Disclosure to Employees, Consultants and Investors. Each Party agrees that it and its Affiliates shall provide or permit access to Confidential Information received from the other Party only to the receiving Party's employees, scientific consultants, scientific or professional advisors and permitted subcontractors who have a need to know such Confidential Information to assist the receiving Party with the development, manufacturing and/or commercialization of a Project Compound and/or Licensed Product and the activities contemplated by this Agreement and who are subject to obligations of confidentiality and non-use with respect to such Confidential Information similar to the obligations of confidentiality and non-use of the receiving Party pursuant to Section 8.2; provided, that Pieris and DS shall each remain responsible for any failure by its Affiliates, and its and its Affiliates' respective employees, consultants, advisors and permitted subcontractors, Sublicensees and distributors, to treat such Confidential Information as required under Section 8.2 (as if such Affiliates, employees, consultants, advisors and permitted subcontractors, Sublicensees and distributors were Parties directly bound to the requirements of Section 8.2). In addition, a receiving Party may provide Confidential Information disclosed to it to any bona fide actual or prospective collaborators or strategic partners who are obligated to keep such information confidential, to the extent reasonably necessary to enable such actual or prospective collaborators to determine their interest in or collaborating with the receiving Party.

8.5 Return of Confidential Information. Upon termination or expiration of any Program or this Agreement, upon the request of the disclosing Party, the receiving Party shall promptly return to the disclosing Party or destroy the disclosing Party's Confidential Information, including all copies thereof, except to the extent that retention of such Confidential Information is reasonably necessary for the receiving Party to exploit any continuing rights it may have (in particular the rights under Section 11.10) and/or to fulfill its obligations contemplated herein, including its obligations of non-disclosure and non-use hereunder. Any such destruction requested by the disclosing Party shall be certified in writing to the disclosing Party by an authorized officer of the receiving Party. The return and/or destruction of such Confidential Information as provided above shall not relieve the receiving Party of its obligations under this Agreement.

## 9. REPRESENTATIONS AND WARRANTIES

9.1 Mutual Representations. Each Party hereby represents and warrants to the other Party that as of the Effective Date, it has full corporate right, power and authority to enter into this Agreement, to grant the rights it grants to the other Party and to perform its respective obligations under this Agreement.

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

9.2 **No Conflict.** Each Party hereby represents and warrants to the other Party that, notwithstanding anything to the contrary in this Agreement, the execution and delivery of this Agreement by such Party, the performance of such Party's obligations hereunder and the licenses and sublicenses to be granted by such Party pursuant to this Agreement (a) to the best of its knowledge, do not conflict with or violate any requirement of any laws, rules or regulations existing as of the Effective Date and applicable to such Party and (b) do not conflict with, violate, breach or constitute a default under any contractual obligations of such Party or any of its Affiliates existing as of the Effective Date.

9.3 **Disclaimer of Warranties.** EXCEPT AS OTHERWISE EXPRESSLY SET FORTH HEREIN, NEITHER PARTY MAKES ANY REPRESENTATION OR EXTENDS ANY WARRANTIES OF ANY KIND, EITHER EXPRESS OR IMPLIED, TO THE OTHER PARTY, AND EACH PARTY HEREBY DISCLAIMS ALL IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, VALIDITY AND ENFORCEABILITY OF ANY PATENT LICENSED HEREUNDER, AND NON-INFRINGEMENT WITH RESPECT TO THE PROGRAM COMPOUNDS AND LICENSED PRODUCTS. EACH PARTY HEREBY DISCLAIMS ANY REPRESENTATION OR WARRANTY THAT THE DEVELOPMENT, MANUFACTURE AND COMMERCIALIZATION OF THE PROGRAM COMPOUNDS OR LICENSED PRODUCTS PURSUANT TO THIS AGREEMENT WILL BE SUCCESSFUL.

**10. INDEMNIFICATION AND LIABILITY**

10.1 **Indemnification.**

10.1.1 **Indemnification [\*\*\*].** [\*\*\*] will defend, indemnify and hold harmless [\*\*\*], its Affiliates and their respective directors, officers, employees and agents (the "[\*\*\*]") from and against all claims, demands, liabilities, damages, penalties, fines, costs and expenses, including reasonable attorneys' and expert fees and costs, and costs or amounts paid to settle (collectively, "Losses"), arising from or occurring as a result of a third party's claim (including any third party product liability or infringement claim), action, suit, judgment or settlement to the extent such Losses are due to or based upon:

- (i) [\*\*\*]; or
- (ii) [\*\*\*]; or
- (iii) [\*\*\*].

10.1.2 **Indemnification [\*\*\*].** [\*\*\*] will defend, indemnify and hold harmless [\*\*\*], its Affiliates, and their respective directors, officers, employees and agents (the "[\*\*\*]") from and against all Losses arising from or occurring as a result of a third party's claim, action, suit, judgment or settlement that is due to or based upon the material breach by [\*\*\*] of the terms of, or the material inaccuracy of any representation or warranty made by it in, this Agreement.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

10.2 Claims for Indemnification.

10.2.1 A person entitled to indemnification under this Section 10.1 (an “Indemnified Party”) shall give prompt written notification to the person from whom indemnification is sought (the “Indemnifying Party”) of the commencement of any action, suit or proceeding relating to a third party claim for which indemnification may be sought or, if earlier, upon the assertion of any such claim by a third party (it being understood and agreed, that the failure by an Indemnified Party to give notice of a third party claim as provided in this Section 10.2.1 shall relieve the Indemnifying Party of its indemnification obligation under this Agreement unless the Indemnified Party can demonstrate that such failure to give notice has not resulted in any prejudice to the Indemnifying Party).

10.2.2 Within [\*\*\*] days after receipt of such notification, the Indemnifying Party may, upon written notice thereof to the Indemnified Party, assume control of the defense of such action, suit, proceeding or claim with counsel of its choice. If the Indemnifying Party does not assume control of such defense, the Indemnified Party shall control such defense.

10.2.3 The Party not controlling such defense may participate therein at its own expense; provided, that if the Indemnifying Party assumes control of such defense and the Indemnified Party reasonably concludes, based on advice from counsel, that the Indemnifying Party and the Indemnified Party have conflicting interests with respect to such action, suit, proceeding or claim, the Indemnifying Party shall be [\*\*\*].

10.2.4 The Party controlling such defense shall keep the other Party advised of the status of such action, suit, proceeding or claim and the defense thereof and shall consider reasonable recommendations made by the other Party with respect thereto.

10.2.5 The Indemnified Party shall not agree to any settlement of such action, suit, proceeding or claim without the prior written consent of the Indemnifying Party, which shall not be unreasonably withheld. The Indemnifying Party shall not agree to any settlement of such action, suit, proceeding or claim or consent to any judgment in respect thereof that does not include a complete and unconditional release of the Indemnified Party from all liability with respect thereto or that imposes any liability or obligation on the Indemnified Party without the prior written consent of the Indemnified Party.

10.3 Limitation of Liability. IN NO EVENT SHALL EITHER PARTY BE LIABLE OR OBLIGATED TO THE OTHER PARTY IN ANY MANNER FOR ANY SPECIAL, NON-COMPENSATORY, CONSEQUENTIAL, INDIRECT, INCIDENTAL, STATUTORY OR PUNITIVE DAMAGES OF ANY KIND, INCLUDING, WITHOUT LIMITATION, LOST PROFITS AND LOST REVENUE, REGARDLESS OF THE FORM OF ACTION, WHETHER IN CONTRACT, TORT, NEGLIGENCE, STRICT PRODUCT LIABILITY, OR OTHERWISE, EVEN IF INFORMED OF OR AWARE OF THE POSSIBILITY OF ANY SUCH DAMAGES IN ADVANCE. THE LIMITATIONS SET FORTH ABOVE SHALL BE DEEMED TO APPLY TO THE

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**CONFIDENTIAL TREATMENT REQUESTED**

MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW AND NOTWITHSTANDING THE FAILURE OF THE ESSENTIAL PURPOSE OF ANY LIMITED REMEDIES. THE PARTIES ACKNOWLEDGE AND AGREE THAT THEY HAVE FULLY CONSIDERED THE FOREGOING ALLOCATION OF RISK AND FIND IT REASONABLE, AND THAT THE FOREGOING LIMITATIONS ARE AN ESSENTIAL BASIS OF THE BARGAIN BETWEEN THE PARTIES. The above limitation of liability shall not apply to the indemnifications set forth in Section 10.1 and any breach of Article 8 (“CONFIDENTIALITY”).

11.4 **Insurance.** Each Party shall maintain, and shall require its Affiliates and Sublicensees hereunder to maintain, a commercial general liability and, as regards DS only, a product liability insurance program on terms customary in the pharmaceutical and biopharmaceutical industry covering all activities and obligations of it, and, as the case may be, its Affiliates, hereunder, or other insurance programs with comparable coverage, up to and beyond the expiration or termination of this Agreement and a commercially reasonable period thereafter.

**11. TERM**

11.1 **Agreement Term.** This Agreement shall become effective as of the Effective Date and shall continue in full force and effect until (i) [\*\*\*], (ii) [\*\*\*], or (iii) [\*\*\*].

11.2 **Termination [\*\*\*] by DS.** Following [\*\*\*], DS shall have the right to terminate such Program [\*\*\*] on [\*\*\*] days prior written notice to Pieris [\*\*\*] ([\*\*\*]).

11.3 **Termination for Breach.** Subject to Section 2.7 in relation to DS’s failure to comply with its diligence obligations, either Party shall be entitled to terminate any Program(s) by written notice to the other with immediate effect if the other Party breaches any of its material obligations under this Agreement in relation to such Program(s) and fails to cure such breach within [\*\*\*] days following its receipt of written notice thereof from the terminating Party if such breach is curable within the aforesaid period; **provided, however**, prior to giving any notice for breach, the Parties shall first attempt to resolve any disputes as to the existence of any breach as set forth in Section 12.3.

11.4 **Termination for Insolvency.** Either Party may terminate any or all Programs under this Agreement by written notice to the other with immediate effect if the other Party becomes insolvent, is compelled to file bankruptcy or is determined otherwise imminently subject to control by a bankruptcy trustee or its equivalent pursuant to the laws of the jurisdiction in which such Party is doing business.

11.5 **Termination for [\*\*\*].** If DS or any of its Affiliates or Sublicensees (i) commences or participates in [\*\*\*] or (ii) [\*\*\*] (including, without limitation, [\*\*\*]) then such [\*\*\*] shall constitute a [\*\*\*] and Pieris will have the right to [\*\*\*].

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11.6 **Termination of Agreement.** Any termination of the last Program pursued under this Agreement shall constitute a termination of this Agreement.

11.7 **Effect of Termination of Programs or Agreement.** In case of any termination of any Program(s), all rights and obligations of the Parties (including the licenses granted under Sections 3.1 and 3.3) shall cease immediately with respect to the relevant Program(s), unless otherwise indicated in this Section below or elsewhere in this Agreement, and DS shall re-assign to Pieris all Pieris Foreground Technology assigned to DS pursuant to Section 7.3.2 in relation to Project Compounds developed under the relevant Program(s).

11.8 **Obligations Accrued.** Expiration or termination of this Agreement or termination of any Program shall not relieve the Parties of any obligation accruing prior to such expiration or termination.

11.9 **Survival.** The provisions of Sections 5.12.2 to 5.12.5, 7.1, 7.2, 7.3.1 (first sentence only), 7.3.3, 7.5, 8, 9, 10, 11.7 to 11.10 and 12 shall survive any termination of any Program or termination or expiration of this Agreement.

11.10 **Transfer of Terminated Program Under Certain Circumstances.** If any Program is terminated (i) by Pieris in accordance with Section 11.3 (termination for breach by DS) or Section 2.7 (failure to comply with diligence obligations), or (ii) by DS in accordance with Section 11.2 (termination for convenience) (such Program hereinafter referred to as the "**Terminated Program**"), the following terms and conditions shall apply in relation to the Terminated Program:

11.10.1 DS shall as promptly as practicable transfer to Pieris or Pieris' designee (i) possession and ownership of [\*\*\*], (ii) copies of [\*\*\*], and (iii) all records [\*\*\*].

11.10.2 DS shall appoint Pieris as DS' agent for all Licensed Product-related matters under the Terminated Program involving regulatory authorities until all marketing authorizations and other regulatory filings and approvals have been transferred to Pieris or its designee, it being agreed that both Parties shall use reasonable and diligent efforts to have this transfer occur as rapidly as feasible.

11.10.3 If the effective date of termination of the Terminated Program is [\*\*\*], then DS shall [\*\*\*] and grant [\*\*\*], until such time as [\*\*\*] it being agreed that both Parties shall use reasonable and diligent efforts to have [\*\*\*] as rapidly as feasible.

11.10.4 If DS or any of its Affiliates or Sublicensees is manufacturing a Licensed Product under a Terminated Program, then, at Pieris' option, DS shall [\*\*\*] until such time as [\*\*\*], provided that Pieris can demonstrate it has been [\*\*\*] and [\*\*\*] shall not continue for more than [\*\*\*] months from the date of [\*\*\*].

11.10.5 If Pieris so requests, DS shall transfer to Pieris any third party agreement relating to the development, manufacture or commercialization of a Licensed

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**CONFIDENTIAL TREATMENT REQUESTED**

Product under a Terminated Program, to which DS is a party, provided that such [\*\*\*] and provided further that, in relation to agreements relating to [\*\*\*], this obligation shall only apply to the extent that DS does not continue to manufacture and supply the relevant Licensed Product in accordance with Section 11.10.4 above.

11.10.6 [\*\*\*] shall [\*\*\*] that [\*\*\*] as such [\*\*\*] only to the extent [\*\*\*] set forth in [\*\*\*] whether it is [\*\*\*].

11.10.7 To the extent a Program has been terminated by Pieris in accordance with Section 11.3 (termination for breach by DS), (i) the assignment pursuant to Section 11.10.6(i) above shall be without any compensation and (ii) [\*\*\*]. Notwithstanding foregoing sentence in this Section, intellectual property licensed from third parties for which, to the extent DS is able to sub-license or assign its rights, any payment obligation of DS to the third party will be assumed by Pieris to the extent such payment obligation relates to the Terminated Program.

To the extent a Program has been terminated by Pieris in accordance with Section 2.7 (failure to comply with diligence obligations) or by DS in accordance with Section 11.2 (termination for convenience), the assignment pursuant to Section 11.10.6(i) above and the license granted pursuant to Section 11.10.6(ii) above shall be subject to the following royalty payments to be made by Pieris to DS on the Net Sales of pharmaceutical products containing one or more Project Compounds of the Terminated Program made by Pieris, its Affiliates, sublicensees or sublicensees' Affiliates (and the definition of "Net Sales" shall apply *mutatis mutandis* to such sales):

<u>Time of termination</u>	<u>Royalty rate</u>
[***]	[***]
[***]	[***]
[***]	[***]

The above royalty shall be payable by Pieris to DS on a [\*\*\*] basis for a period [\*\*\*][\*\*\*]:

<u>Time of termination</u>	<u>Maximum aggregate royalty amount</u>
[***]	EUR [***]
[***]	EUR [***]
[***]	EUR [***]

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**CONFIDENTIAL TREATMENT REQUESTED**

Sections 5.11 and 5.12 shall apply reciprocally to royalty payments by Pieris to DS under this Section 11.10.7.11.10.8 DS shall execute all documents and take all such further actions as may be reasonably requested by Pieris in order to give effect to the terms of this Section 11.10.

**12. MISCELLANEOUS**

12.1 Notices. Unless provided otherwise, any consent or notice required or permitted to be given or made under this Agreement by one of the Parties to the other shall be in writing and delivered through registered mail with acknowledgement of receipt, and addressed to such other Party at its address indicated below, or to such other address as the addressee shall have last furnished in writing to the addressor, and shall be effective upon receipt by the addressee.

If to DS:                    Daiichi Sankyo Company Limited  
                                  [\*\*\*]

If to Pieris:                Pieris AG  
                                  Lise-Meitner-Str. 30  
                                  85354 Freising, Germany  
                                  Attention: Chief Executive Officer

For the avoidance of doubt, reports or other exchanges of information on an operational level may also be sent by facsimile or electronic transmission.

12.2 Governing Law. This Agreement (including Exhibits attached hereto) shall be governed by and construed in accordance with the laws of [\*\*\*] without regard to the application of principles of conflict of laws.

12.3 Dispute Resolution. Each Party shall exercise reasonable effort to resolve any dispute regarding this Agreement. If the Parties hereto are unable to resolve such dispute amicably, then such dispute shall [\*\*\*] in accordance with the process set forth in Exhibit E [\*\*\*].

12.4 Attorneys Fees and Costs. Except as specifically provided in this Agreement, in the event of any dispute between the Parties arising out of or relating to this Agreement, the prevailing Party shall be entitled to recover from the unsuccessful Party

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**CONFIDENTIAL TREATMENT REQUESTED**

all costs, expenses and actual attorneys' fees relating to or arising from (i) any litigation, arbitration or mediation relating to or arising from, this Agreement; and/or (ii) the enforcement of any judgment or award resulting from any such litigation, arbitration or mediation. Any such judgment or award shall contain a specific provision for the recovery of all costs, expenses and actual attorneys' fees incurred in enforcing any such judgment or award.

12.5 Severability. Each Party hereby agrees that it does not intend to violate any public policy, statutory or common laws, rules, regulations, treaty or decision of any government agency or executive body thereof of any country or community or association of countries. Should one or more provisions of this Agreement be or become invalid, the Parties hereto covenant and agree to renegotiate any such term, covenant or application thereof in good faith in order to provide a reasonably acceptable alternative to the term, covenant or condition of this Agreement or the application thereof that is invalid, illegal or unenforceable, said renegotiated term, covenant or condition being deemed to be effective as of the Effective Date, it being the intent of the Parties that the basic purposes of this Agreement and the economical balance between the Parties as contemplated upon the execution of the Agreement are to be effectuated as nearly as possible.

12.6 Assignment. This Agreement may not be assigned or transferred by either Party without the prior written consent of the other Party. Notwithstanding the foregoing, either Party shall have the right to assign this Agreement to its Affiliates or to a third party in connection with any transaction ("Transaction"), including but not limited to: (i) acquisition (of or by), consolidation with, or merger into, any other corporation or other entity or person; (ii) any corporate reorganization; or (iii) the sale of its business to which this Agreement is related, **provided that** in any such Transaction the assignee expressly obligates itself in a written instrument delivered to the non-assigning Party to this Agreement, on or before the date of closing of such Transaction, to fully perform all of the obligations of the assigning Party under this Agreement. This right of assignment shall likewise be available to the assignee in the same manner as it is to the assigning Party, and subsequent assignees in like manner, provided that in each instance of assignment, the assignee provides the writing specified above to the non-assigning Party to this Agreement prior to the date of closing of such Transaction.

12.7 Entire Agreement. This Agreement constitutes the entire agreement between the Parties, and supersedes all written or oral agreements or understandings with respect thereto, including the Initial Agreement. Neither Party shall claim any amendment, modification, or release from any provision hereof unless such an amendment is in writing signed by an authorized representative of each Party.

12.8 Counterparts; Facsimile. This Agreement may be executed in counterparts, each and every one of which shall be deemed an original and all of which together shall constitute one and the same instrument. Signing and delivery of this Agreement may be evidenced by an electronic transmission of the signed signature page to the other Party, provided however that such electronic signing and delivery is confirmed in written paper copy signed by and delivered to each Party promptly following electronic signing and delivery.

*[Signatures continued on the following page]*

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

Pieris AG:

By: /s/ Stephen S. Yoder

Name: Stephen S. Yoder

Title: CEO

Date: 31 May 2011

Daiichi Sankyo Company, Ltd.:

By: /s/ Masahiko Ohtsuki

Name: Masahiko Ohtsuki

Title: Vice President

R&D Planning Department, R&D Division

Global Head of R&D Planning

Date: 20 May 2011

***Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**Exhibit A**

**Project Plan for first Program**

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**CONFIDENTIAL TREATMENT REQUESTED**

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*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**Exhibit B**

[\*\*\*]

[\*\*\*] shall mean [\*\*\*].

[\*\*\*] shall mean any [\*\*\*].

[\*\*\*] shall mean [\*\*\*].

[\*\*\*] shall mean [\*\*\*].

[\*\*\*] shall mean [\*\*\*].

[\*\*\*] shall mean [\*\*\*].

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**Exhibit C**

**[\*\*\*]**

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



Exhibit D

\*\*\*

*Portions of the exhibit, indicated by the mark “\*\*\*,” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**Exhibit E**

**Dispute Resolution**

- (a) Any dispute unresolved for more than [\*\*\*] after its written documentation shall be brought to the attention of a senior management representative of each Party, who shall attempt to resolve such dispute in good faith. If the senior management representatives of the Parties are unable to resolve a dispute within [\*\*\*] days, the CEOs or presidents of the Parties shall attempt in good faith to resolve such dispute within [\*\*\*] days.
- (b) If the CEOs or presidents are unable to resolve such dispute within such period, [\*\*\*] Except as may be required by law, [\*\*\*] to that effect [\*\*\*].

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

CONFIDENTIAL TREATMENT REQUESTED

EXECUTION COPY

**DEVELOPMENT AND LICENSE AGREEMENT**

THIS LICENSE AGREEMENT (the “**Agreement**”) is made and is effective as of this 7<sup>th</sup> day of October, 2013 (the “**Effective Date**”) by and between

Cadila Healthcare Limited, a corporation organized and existing under the laws of India, whose principal place of business is at Zydus Tower, Satellite Cross Roads, Ahmedabad - 380 015, India (“**Zydus**”),

and

Pieris AG, a corporation organized and existing under the laws of Germany, whose principal place of business is at Lise-Meitner-Straße 30, 85354 Freising, Germany (“**Pieris**”).

Pieris and Zydus are sometimes referred to herein individually as a “**Party**” and collectively as the “**Parties**”.

**RECITALS**

- A. Pieris is engaged in the research and development of biopharmaceutical products and has developed a novel technology to develop Anticalin® proteins and proprietary know-how and data relating thereto;
- B. Zydus is engaged in the research, development, manufacture and marketing of pharmaceutical and biopharmaceutical products, including but not limited to therapeutic proteins, monoclonal antibodies and vaccines.
- C. Pieris and Zydus desire to grant each other certain exclusive license rights in the further research and development, clinical development and marketing & commercialization of the Products (hereinafter defined), subject to and in accordance with the terms in this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises and the mutual covenants herein contained, the Parties hereby agree as follows:

**ARTICLE 1****DEFINITIONS**

As used throughout this Agreement, the singular includes the plural and vice versa, and words denoting any gender include all genders. Where the context so admits or requires, references to Zydus or Pieris shall include their respective employees, officers, directors or agents.

“**AFFILIATE**” means any Person that directly (or indirectly through one or more intermediaries) controls, is controlled by, or is under common control with a Party. For the purposes of this definition only, the terms “controls,” “controlled,” and “control” mean: (i) the direct or indirect ability or power to direct or cause the direction of the management and policies of an entity or otherwise direct the affairs of such entity, whether through ownership of equity, voting securities or beneficial interest, by contract, or otherwise; or (ii) the ownership, directly or indirectly, of more than fifty percent (50%) of the voting securities (or other comparable ownership interest for an entity other than a corporation) of a Party.

“**API**” or “**ACTIVE PHARMACEUTICAL INGREDIENT**” means the active pharmaceutical ingredient of a Drug Product in bulk form such as a Drug Substance, which, if appropriately formulated and finished, would constitute the Drug Product. For avoidance of doubt, API for Product 1 is the c-Met Anticalin, (herein referred to as PRS-110) and API for Product 2 shall be determined by the CC pursuant to Section 3(3).

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“APPLICABLE LAWS” means all applicable statutes, ordinances, regulations, judicial decisions, rules or orders of any kind whatsoever of any Governmental Authority, including, without limitation, the Regulatory Laws, all as amended from time to time.

“AUTHORIZED PERSONS” means Recipient’s directors, officers, employees and professional advisors and consultants who are legally bound to keep confidential any of the Confidential Information disclosed by the Discloser on terms at least as onerous as those set out herein.

“[\*\*\*]” means [\*\*\*] (for the sake of clarity, [\*\*\*] among other information).

“CALENDAR MONTH” means each successive period of 30/31 (or 28/29) days (as applicable) commencing on 1<sup>st</sup> day of every month and ending on the last day of that month.

“CALENDAR YEAR” means each successive period of twelve (12) months commencing on January 1 and ending on December 31.

“CMC” means chemistry, manufacturing and control.

“COMMERCIALIZATION” means all activities before and after a Marketing Approval for a Product or otherwise relating specifically to the marketing, sale and/or distribution of Product including, without limitation: (i) sales force detailing, advertising, education, planning, marketing, sales force training and distribution; (ii) scientific and medical affairs; (iii) the manufacture of Product intended for commercial sale, including, without limitation, formulation, bulk API and/or Drug Product production, fill/finish, distribution, manufacturing process improvement and quality assurance technical support.

“COMMERCIALLY REASONABLE EFFORTS” means that level of effort and application of expertise and resource, typical in the pharmaceutical industry in the research, development and commercialization of a product or compound owned by a Third Party or resulting from a Party’s own research efforts, that is of similar market potential and at a similar stage in its development or product life, taking into account issues of safety and efficacy, product profile, difficulty in developing a Product, competitiveness of the marketplace for resulting products, the patent position of the compound or product, the regulatory structure involved, the potential total profitability of the applicable products marketed or to be marketed, and other relevant factors affecting the cost, risk and timing of development and the total potential reward (profit) to be obtained if a product is commercialized.

“CONFIDENTIAL INFORMATION” means the Pieris Confidential Information or the Zydus Confidential Information, as applicable.

“CONTROL” or “CONTROLLED” means with respect to any intellectual property right, that the applicable Party owns or has a license to such intellectual property right and has the ability to grant access, a license, or a sublicense to such intellectual property right to the other Party as provided for in this Agreement without violating an agreement with a Third Party as of the time such Party would be first required under this Agreement to grant the other Party such access, license or sublicense; provided, however, that for rights acquired from Third Parties after the Effective Date, such intellectual property right shall be deemed to be “CONTROLLED” only if such access can be granted without additional cost.

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“CO-ORDINATION COMMITTEE” or “CC” means the committee of representatives from each Party established to co-ordinate the Pieris Activities and Zydus Activities, as further detailed in Section 3(3).

“DISCLOSER” means the Party disclosing its Confidential Information to the other Party or to the other Party’s Authorized Persons pursuant to this Agreement.

“DISPUTE” means any dispute arising from or relating to this Agreement, including, without limitation, the interpretation of any term of this Agreement and/or the assessment of a Party’s compliance with any of its obligations under this Agreement.

“DEVELOPMENT” means all activities undertaken under any Plan with respect to the clinical development of a Product that are reasonably required to obtain one or more Marketing Approvals of Product, including, without limitation: (i) pre-clinical studies (including, without limitation, pharmacology, toxicology and pharmacokinetics); (ii) regulatory affairs, project management, clinical operations, medical writing, bio-statistics, data management and drug safety, and clinical trials (including without limitation Bridging Studies) in accordance with the current Good Laboratory Practices (cGLPs), current Good Clinical Practices (cGCPs) and current Good Manufacturing Practices (cGMPs) or other designated quality standards and Applicable Laws; (iii) all activities relating to developing the ability to manufacture such Product, including, without limitation, formulation, stability/analytical, packaging, delivery technologies and devices, bulk API and/or Drug Product production, manufacturing fill/finish, manufacturing process development, and quality assurance technical support, clinical supplies distribution and QC (quality-control) testing and release, until such time as manufacturing of such Product intended for commercial sale commences; and (iv) any required post-Marketing Approval commitments.

“DRUG PRODUCT” or “DP” means the final dosage form which contains a Product in association with other active or inactive ingredients.

“DRUG SUBSTANCE” or “DS” means any substance or mixture of substances, comprising a Product, intended to be used in the manufacture of a Drug Product and that, when used in the production of the Drug Product, becomes the Active Pharmaceutical Ingredient of the Drug Product. Such substances are intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure and function of the body.

“DCGI” means the Drug Controller General of India, or any successor federal agency having responsibility over India Marketing Approvals.

“EMA” means the European Medicines Agency, or any successor federal agency having responsibility over Europe Union (EU) Marketing Approvals.

“FDA” means the United States (U.S.) Food and Drug Administration, or any successor federal agency having responsibility over U.S. Marketing Approvals.

“FIELD” means (i) with respect to Product 1 (PRS-110), [\*\*\*] provided, however, [\*\*\*] and (ii) with respect to Product 2, [\*\*\*] to be agreed upon in good faith upon the nomination of Product 2 pursuant to Section 3(3).

“GOVERNMENTAL AUTHORITY” means any court tribunal, arbitrator, agency, commission, official or other instrumentality of any federal, state, or other political subdivision, or supranational body, domestic or foreign.

“ICH” means the International Conference on Harmonization.

“ICH-GCP” means ICH / World Health Organization (WHO) Good Clinical Practice standards.

“IMPROVEMENT” means any findings, developments, discoveries, inventions, additions, modifications, enhancements, formulations, or changes to the composition of matter, or method of use of Product, or its manufacture made by, or coming under Control of either Party or Sublicensees during the Term which are

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necessary for the Research and Development of a Product and/or the manufacture and Commercialization of the Product, including without limitation, new or improved methods of synthesis, manufacture, ingredients, preparation, presentation, means of delivery, dosage, formulation, or analysis, whether or not patentable.

“IND Application” means an Investigational New Drug Application (together with all additions, deletions, and supplements thereto) or the equivalent application in a regulatory jurisdiction, filed with the Regulatory Authority in that jurisdiction, the filing of which is necessary to commence and conduct human clinical trials of a pharmaceutical product in that jurisdiction such as a Clinical Trial Authorization Application in European Union (EU).

“INFORMATION” means any information controlled (including Controlled) by either Party during the Term that is necessary for the Research and Development and/or the manufacture and Commercialization. Information may include, but is not limited to: (a) any and all inventions, know-how, developments, Improvements, materials, data, analyses, and the like, regardless of whether the information is stored or transmitted in oral, documentary, or electronic form; and (b) information relating to research and development plans, experiments, results, compounds, therapeutic leads, candidates and products, clinical and preclinical data, trade secrets and manufacturing, marketing, financial, regulatory, personnel and other business information and plans, and all scientific, clinical, regulatory, marketing, financial and commercial information or data; in each case, to the extent necessary for the Research and Development and/or the manufacture and Commercialization.

“INVESTIGATIONAL MEDICAL PRODUCT” or “IMP” means a pharmaceutical form of a DP or DS being tested in one or more clinical trials.

“JOINT ARISING IP” means all intellectual property, including Improvements and any and all inventions, patents, copyrights and trademarks and other rights relating thereto, that arises from the joint research and development conducted by Zydus and Pieris, during the Term, under the Plans, as well as during the term of the Prior MTA, and including without limitation, Joint Know-How and Joint Patents, but explicitly excluding (i) Pieris Arising IP & Zydus Arising IP and (ii) Pieris Confidential Information & Zydus Confidential Information and (iii) Pieris Acquired IP & Zydus Acquired IP.

“JOINT KNOW-HOW” means all Information that is created by Zydus and Pieris jointly, during the Term, under the Plans, but specifically excluding (i) Joint Patents and (ii) the Information contained in Joint Patents.

“JOINT PATENTS” mean all Patents disclosing and/or claiming Joint Arising IP, together with the Information contained therein, to be registered by the Parties jointly in the Territory in such manner as stated in Article 10.

“LICENSE” shall have the meaning provided under Article 2.

“MARKETING APPROVAL” means the act of a Regulatory Authority necessary for the Commercialization of a Product for one or more indications in a regulatory jurisdiction in the Territories, including, without limitation, the approval of an NDA by a Regulatory Authority and satisfaction of all applicable regulatory and notification requirements.

“NDA” or “NEW DRUG APPLICATION” means an application or set of applications (and any other required registrations, notifications, forms, amendments or supplements) for a Marketing Approval for a Product and/or pre-market approval to make and commercialize the Product, filed with a Regulatory Authority including, without limitation, all documents, data and other information concerning a pharmaceutical product which are necessary for gaining the Marketing Approval.

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“NET SALES” means, with respect to a Product, the gross amount (excluding VAT or excise duty or similar taxes) invoiced by Zydus or Pieris or any of their Affiliates or Sub-licensees to a Third Party that is not a Related Third Party, in the Zydus Territory / Pieris Territory as the case may be, less:

- a) [\*\*\*];
- b) [\*\*\*];
- c) [\*\*\*];
- d) [\*\*\*];
- e) [\*\*\*]; and
- f) [\*\*\*].

Such amount shall be determined from the books and records of Zydus or Pieris or their respective Sublicensees and Affiliates, as the case may be, maintained in accordance with any then-current Internationally-recognized accounting standard [\*\*\*], in the case of Sublicensees or Affiliates, such similar accounting principles, consistently applied.

“OUTLICENSE” and “OUTLICENSING” shall mean [\*\*\*] pursuant to a Sub-license in accordance with Article 2.

“PATENT” or “PATENTS” means in respect of a Product: (a) all patent applications (including provisional applications and applications for certificates of invention); (b) all patents issuing from such patent applications (including certificates of invention); (c) all patents and patent applications based on, corresponding to, or claiming priority from any of the foregoing; (d) all reissues, substitutions, confirmations, registrations, validations, re-examinations, additions, continuations, continued prosecution applications, continuations-in-part, or divisions of or to any of the foregoing; and (e) all term extensions, supplementary protection certificates and other governmental action beyond the original patent expiration date.

“PERSON” means a natural person, a corporation, a partnership, a trust, a joint venture, a limited liability company, any governmental authority or any other entity or organization.

“PHASE I TRIAL” means a human clinical trial conducted in healthy volunteers or patients anywhere in the world with a Product in accordance with ICH cGCP guidelines intended to establish an initial safety profile and the pharmacokinetics and/or pharmacodynamics of the Product. Phase I Trials shall include any Phase Ia Trial and any Phase Ib (multiple ascending dose) Trial. In case of Oncology drug development expansion trials of Phase I that can lead to a Phase III approval or Marketing Approval will be considered.

“PHASE II TRIAL” means a human clinical trial conducted in patients anywhere in the world with a Product in accordance with ICH cGCP guidelines and intended to demonstrate efficacy and a level of safety of the Product in the particular indication tested, as well as to determine the unit and/or daily dosage regimen required for testing the Product in the following Phase III Trial. Phase II Trials shall include any Phase IIa Trial and any Phase IIb Trial.

“PHASE III TRIAL” means a human clinical trial conducted in patients anywhere in the world with a Product in accordance with ICH cGCP guidelines and intended to demonstrate efficacy and a level of safety of the Product in the particular indication tested sufficient to obtain the Marketing Approval of the Product from a Regulatory Authority.

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“PLAN” means a written plan for the Zydus Activities and Pieris Activities, prepared and approved by the CC and implemented by Zydus and Pieris, respectively, on an ongoing basis. A copy of the initial Plan for the Zydus Activities and Pieris Activities is attached hereto as Schedule 3. Subsequent Plan(s), e.g. for Additional Product(s), will be agreed between the Parties.

“PRODUCT(S)” means [\*\*\*].

“PRODUCT 1” means an anti-c-Met Anticalin® protein, made using Pieris Technology [\*\*\*] (herein referred to as PRS-110); provided, however, that Product 1 shall exclude (i) [\*\*\*] (ii) any PRS-110 drug conjugate and (iii) Additional Product(s) unless explicitly agreed by the Parties.

“ADDITIONAL PRODUCT” means any [\*\*\*] named by mutual agreement between the Parties after the Effective Date, including the Product 2 which will be named between the Parties pursuant to Section 2(5)(c).

“PRODUCT LAUNCH” means [\*\*\*].

“PIERIS ACQUIRED IP” means all Information, know-how, intellectual property, including Improvements and any and all inventions, Patents, copyrights and trademarks and other rights, in each case necessary to the Development and/or Commercialization of a Product and over which Pieris acquires Control during the Term.

“PIERIS ACTIVITIES” means the activities undertaken by Pieris under the Plans in relation to (i) the Research, Development, manufacture and Commercialization of a Product in the Pieris Territory pursuant to the terms of this Agreement and (ii) its obligations in respect of the grant of the License and as stated in Article 3 and Schedule 3 herein.

“PIERIS ARISING IP” means all intellectual property, including Improvements and any Information, inventions and Patents relating thereto, [\*\*\*], during the Term, under the Plans, as well as during the term of the Prior MTA.

“PIERIS CONFIDENTIAL INFORMATION” means all Pieris Rights and all Information disclosed or provided by, or on behalf of, Pieris to Zydus in connection with this Agreement, whether by letter or by the use of an appropriate proprietary stamp or legend. Notwithstanding the foregoing, Information which is orally or visually disclosed, or is disclosed in writing without an appropriate letter, proprietary stamp or legend, shall constitute Pieris Confidential Information if Pieris, within [\*\*\*] days after such disclosure, delivers to Zydus a written document or documents describing such Confidential Information and referencing the place and date of such oral, visual or written disclosure.

“PIERIS KNOW-HOW” means (i) all Information that Pieris Controls as of the Effective Date relating to a Product and (ii) Pieris materials, in each case as is necessary to enable Zydus to conduct the Zydus Activities or exercise/use the License granted hereunder. Pieris Know-How does not include the Pieris Patents.

“PIERIS PATENTS” means all Patents Controlled by Pieris as of the Effective Date that are necessary to enable Zydus to conduct the Zydus Activities or exercise/use the License granted hereunder, together with the Information contained therein.

“REVENUES” means [\*\*\*]. Notwithstanding the foregoing, “Revenues” shall not include any payments that constitute: (a) [\*\*\*]; (b) [\*\*\*]; (c) [\*\*\*]; (d) [\*\*\*]; and (e) [\*\*\*].

“PIERIS RIGHTS” means Pieris Patents and Pieris Know-How.

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“PIERIS TERRITORY” means [\*\*\*].

“PRIOR CDA” means the Mutual Confidential Disclosure Agreement, made on [\*\*\*], by and between the Parties.

“PRIOR MTA” means the Material Transfer Agreement, made on [\*\*\*], by and between the Parties, wherein Pieris and Zydus have agreed that Zydus shall conduct Research Program as set forth in Exhibit B attached to the Original Agreement.

“RECIPIENT” means the Party receiving the Confidential Information from the other Party.

“REGULATORY AUTHORITY” means, in a particular country or geographical region (each, hereafter, is a regulatory jurisdiction), any applicable Governmental Authority involved in granting Marketing Approvals and/or to the extent required in such country or region, pricing approval of a Product in such country or region, including without limitation: (a) in India, the ICMR (Indian Council of Medical Research), DCGI, CDSCO (Central Drugs Standard Control Organization), and any other applicable Governmental Authority in India having jurisdiction over such Product, and any successor Governmental Authority having substantially the same function; (b) in the U.S., the FDA, and any other applicable Governmental Authority in the U.S. having jurisdiction over such Product; and (c) any foreign equivalent of (a) or (b), such as in EU, the EMA.

“REGULATORY LAW” means any applicable statutes, ordinances, regulations, rules or orders of any kind whatsoever of any Governmental Authority governing the Development, import, export, manufacture or distribution of a Product (including, without limitation, Marketing Approvals) together with any rules and regulations promulgated thereunder.

“REGULATORY MATERIALS” means any regulatory applications, submissions, notifications, registrations, approvals and/or other filings made to or with a Regulatory Authority that may be necessary or reasonably desirable to research, develop, make, have made, use, sell, have sold, offer for sale and import/export Product, and shall include without limitation, NDAs and IND Applications or their equivalents in other jurisdictions.

“REGULATORY SUBMISSION” means the submission by either Party or any of its Affiliates or Sublicensees of Regulatory Materials to a Regulatory Authority for the purpose of seeking relevant or required approvals for a Product Launch including the Marketing Approval.

“RESEARCH” means any and all activities undertaken under the Plans with respect to the research and pre-clinical evaluation of compounds for the Development of a Product.

“RELATED THIRD PARTY” means any Third Party [\*\*\*].

“SUBLICENSEE” means any Third Party to which either Party grants any right to make, have made, use, sell, have sold, offer for sale and/or import/export Product in accordance with Article 2. For the avoidance of doubt, a [\*\*\*].

“TERM” has the meaning provided in Section 11(1).

“TERRITORY” shall mean the Pieris Territory or the Zydus Territory, as applicable.

“TERRITORIES” shall mean both the Pieris Territory and the Zydus Territory.

“THIRD PARTY” means any Person other than Pieris or Zydus and their respective Affiliates.

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“TIMELINES” means those timelines to be met by Zydus or Pieris in relation to Zydus Activities or Pieris Activities (as applicable) as set forth in Schedule 3 hereto, as may be agreed, updated and amended between the Parties. [\*\*\*].

“ZYDUS ACQUIRED IP” means all Information, know-how, intellectual property, including Improvements and any and all inventions, Patents, copyrights and trademarks and other rights, in each case necessary to the Development and/or Commercialization of a Product and over which Zydus acquires Control during the Term.

“ZYDUS ACTIVITIES” means the activities undertaken by Zydus hereunder in relation to (i) the Research, Development, manufacture and Commercialization in the Zydus Territory pursuant to the terms of this Agreement and (ii) its obligations in respect of the grant of the License and as stated in Article 3 and Schedule 3 herein.

“ZYDUS ARISING IP” means all intellectual property, including Improvements and any Information, inventions and Patents [\*\*\*], during the Term, under the Plans, as well as during the term of the Prior MTA.

“ZYDUS CONFIDENTIAL INFORMATION” means all Zydus Rights and all Information disclosed or provided by, or on behalf of, Zydus to Pieris in connection with this Agreement, whether by letter or by the use of an appropriate proprietary stamp or legend. Notwithstanding the foregoing, Information which is orally or visually disclosed, or is disclosed in writing without an appropriate letter, proprietary stamp or legend, shall constitute Zydus Confidential Information if Zydus, within [\*\*\*] days after such disclosure, delivers to Pieris a written document or documents describing such Confidential Information and referencing the place and date of such oral, visual or written disclosure.

“ZYDUS KNOW-HOW” means all Information that Zydus Controls as of the Effective Date relating to a Product, necessary to enable Pieris to conduct the Pieris Activities or exercise/use the License granted hereunder. Zydus Know-How does not include the Zydus Patents.

“ZYDUS PATENTS” means all Patents Controlled by Zydus as of the Effective Date that are necessary to enable Pieris to conduct the Pieris Activities or exercise/use the License granted hereunder, together with the Information contained therein.

“ZYDUS RIGHTS” means Zydus Patents and Zydus Know-How.

“ZYDUS TERRITORY” means all regions/countries set forth in Schedule 4 attached hereto.

## **ARTICLE 2**

### **THE LICENSE**

#### **1) LICENSE GRANTS**

a) Subject to the terms and conditions of this Agreement such as Section 2(5) and Article 4, Pieris hereby grants to Zydus (a) an exclusive [\*\*\*] royalty-bearing license under the Pieris Rights, the Pieris Arising IP, the Pieris Acquired IP and Pieris’ interests in the Joint Arising IP and the Joint Patents, with the right to grant sublicenses to Sublicensees, to use, have used, sell, have sold, offer for sale and import/export Product in the Zydus Territory in the Field; (b) a [\*\*\*] license under the Pieris Rights, the Pieris Arising IP, the Pieris Acquired IP and Pieris’ interests in the Joint Arising IP and the Joint Patents, with the right to grant sublicenses to Sublicensees, (i) to research, develop, make or have made a Product (including, without limitation, the DP or DS thereof) in the Zydus Territory in the Field, by itself or

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through an Affiliate or a Third Party; and (ii) to conduct Research and/or Development and manufacture of a Product (including, without limitation, the DP or DS thereof), by itself or through an Affiliate or a Third Party, in the Pieris Territory in the Field so long as such activities are solely in support of Development and/or Commercialization in the Zydus Territory in the Field; and (iii) a [\*\*\*], [\*\*\*] license under the Pieris Arising IP and Pieris' interests in the Joint Arising IP, with the right to grant sublicenses, to exploit Zydus' know-how and intellectual property available at Zydus before the Effective Date in a manner consistent with the terms and conditions of this Agreement such as Subsections (a) and (b) above as well as Section 2(4).

b) Subject to the terms and conditions of this Agreement such as Section 2(5) and Article 4, Zydus hereby grants to Pieris (a) [\*\*\*] license under the Zydus Rights, the Zydus Arising IP, the Zydus Acquired IP and Zydus' interests in the Joint Arising IP and the Joint Patents, with the right to grant sublicenses to Sublicensees, to use, have used, sell, have sold, offer for sale and import/export Product in the Pieris Territory in the Field; (b) a [\*\*\*] license under the Zydus Rights, the Zydus Arising IP, the Zydus Acquired IP and Zydus' interests in the Joint Arising IP and the Joint Patents, with the right to grant sublicenses to Sublicensees, but subject to Section 5(2), (i) to research, develop, make or have made a Product (including, without limitation, the DP or DS thereof) in the Pieris Territory in the Field, by itself or through an Affiliate or a Third Party; and (ii) to conduct Research and/or Development and manufacture of a Product (including, without limitation, the DP or DS thereof), by itself or through an Affiliate or a Third Party, in the Zydus Territory in the Field so long as such activities are solely in support of Development and/or Commercialization in the Pieris Territory in the Field; and (iii) a [\*\*\*] license under the Zydus Arising IP and Zydus' interests in the Joint Arising IP, with the right to grant sublicenses, to exploit Pieris' know-how and intellectual property available at Pieris before the Effective Date in a manner consistent with terms and conditions of this Agreement such as Subsections (a) and (b) above Section 2(4), [\*\*\*].

c) The rights described in the preceding paragraphs of this Section 2(1) are referred as the "**License**" in this Agreement.

#### 2) Formal Licenses

- The Parties shall execute such formal licenses in accordance with terms and conditions set out in Section 2(1), whenever such formal licenses are necessary for registration with relevant patent offices and other relevant authorities in particular countries throughout the Territories.
- Prior to the execution of the formal licenses (if any) referred to in this Section 2(2), the Parties shall so far as possible have the same rights and obligations towards one another as if such licenses had been granted. In the event of any conflict in meaning between any such license and the provisions of this Agreement, the provisions of this Agreement shall prevail wherever possible.

#### 3) NO IMPLIED LICENSES

Only the licenses granted pursuant to the express terms of this Agreement shall be of any legal force or effect. No other license rights shall be created by implication, estoppel or otherwise.

#### 4) NON-COMPETE

The Parties agree that, during the Term [\*\*\*], neither Party nor its Affiliate(s) shall, directly or indirectly, (a) sell a Product (including, without limitation, the DP or DS thereof) in the other Party's Territory in the Field or (b) enable a Third Party to sell the Product (including, without limitation, the DP or DS thereof) in the other Party's Territory in the Field.

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5) COMMERCIALY REASONABLE EFFORTS

a) Subject to Article 11 and Section 4(4), Zydus shall use Commercially Reasonable Efforts in and take the overall responsibilities for (i) [\*\*\*] and (ii) [\*\*\*]. Further, Zydus shall use Commercially Reasonable Efforts [\*\*\*]. Following [\*\*\*] and during the Development, Zydus may sublicense the License to a Third Party in accordance with this Article 2, to co-develop the Product with the Third Party within the Zydus Territory, provided, however, that [\*\*\*].

b) Subject to Article 11 and Section 4(4) and following [\*\*\*], Pieris shall use Commercially Reasonable Efforts in [\*\*\*].

c) Subject to Article 11, both Parties shall use Commercially Reasonable Efforts to (i) name the Product 2 through the CC, and (ii) agree on its respective Field and the financial rights and obligations between the Parties with respect to the Product 2; within [\*\*\*] months after the Effective Date.

**ARTICLE 3**

**ZYDUS ACTIVITIES; PIERIS ACTIVITIES; COORDINATION COMMITTEE.**

1) SCOPE OF ZYDUS RESPONSIBILITIES

a) SCOPE. Zydus shall control, be obligated to conduct, and be solely responsible for the Zydus Activities in accordance with the Plans. Zydus shall perform the Zydus Activities with reasonable care and skill. Zydus Activities shall include, without limitation:

- i. Conducting and/or continuing to conduct the Research Program (as defined in the Prior MTA) in accordance with Exhibit B of the Prior MTA, including expressing Product 1 through Pieris Material set out in Schedule 5 attached hereto this Agreement;
- ii. Conducting animal [\*\*\*] efficacy and toxicology testing necessary for the preparation and filing of IND Applications with the respective local Regulatory Authorities within the Zydus Territory (e.g. the DCGI in India) for a Product, and which testing is acceptable per ICH-GCP guidelines;
- iii. Conducting suitable clinical trials [\*\*\*] in the Zydus Territory as per ICH-GCP guidelines and conforming to the aforementioned Regulatory Authorities' requirements for IND Applications. The sample size for conducting clinical trials shall meet said Regulatory Authorities' requirements, as detailed and agreed by the Parties through the CC.  
For avoidance of doubt, [\*\*\*].
- iv. Conducting clinical trials as per ICH-GCP guidelines and necessary for Marketing Approvals of the Product throughout the Zydus Territory; all aspects of such clinical trials, including but not limited to the trial design and the number of patients enrolled, shall be as detailed and agreed by the Parties through the CC and set forth in the Plans;
- v. Developing and optimizing processes and procedures used to manufacture and formulate the Drug Product to achieve a yield that is sufficient to deliver adequate amounts of Drug Product for Development and Commercialization;
- vi. Production of the Drug Substance for pre-clinical studies throughout the Development in the Zydus Territory per applicable Regulatory Authorities' requirements;

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- vii. Performance of formulation, fill and finish of the Drug Substance and/or Drug Product and subsequent activities necessary for achieving the yield of Section 3(1)(a)(iv);
- viii. Manufacturing of the Drug Product per ICH-GMP guidelines, and conforming to the Indian Regulatory Authorities' requirements, for Development and Commercialization and supplying sufficient amounts of Drug Product for the clinical trials in the Zydus Territory as referred in Section 3(1)(a)(iii); and
- ix. Providing data (such as data of clinical trials and CMC data) to Regulatory Authorities within the Territories, when any one of said Authorities so requires from either Party or its Affiliates or Sublicensees.

b) COSTS. Zydus shall be solely responsible for all costs and expenses arising from and/or relating to the Zydus Activities from the Effective Date. Zydus shall also be solely responsible for all Third Party costs and expenses incurred by Zydus and not included in the Plans related to Research, Development and/or Commercialization.

c) INFORMATION DISSEMINATION BY ZYDUS. Zydus shall promptly share with Pieris, and provide Pieris with total access to, all data and reports generated by Zydus during the Term relating to Product, including all such data and reports generated pursuant to this Article 3 and Article 6, all Regulatory Materials, Zydus Arising IP, Joint Arising IP, Zydus Acquired IP, Zydus Know-How, safety data information and other Information generated by Zydus on an "AS IS" basis, for use by Pieris with regard to the Development in the Pieris Territory. For the avoidance of doubt, [\*\*\*]. Zydus shall fulfill its obligations under this paragraph on at least a semi-annual basis throughout the Term.

## 2) SCOPE OF PIERIS RESPONSIBILITIES

a) SCOPE. Pieris shall control, be obligated to conduct, and be solely responsible for the Pieris Activities in accordance with the Plans. Pieris shall perform the Pieris Activities with reasonable care and skill. Pieris Activities shall include, without limitation:

- i. Conducting [\*\*\*] experiments of a Product pursuant to the respective Plan; [\*\*\*];
- ii. Sharing the data, generated in Subsection (i) above, with Zydus, such as, [\*\*\*];
- iii. Transferring to Zydus all clones, know-how / technologies for cloning, and upstream-and/or-downstream-process-development know-how, available at Pieris, with respect to the Product;
- iv. Supporting Zydus in developing and optimizing processes and procedures used to manufacture and formulate the Drug Substance and/or the Drug Product; and
- v. Developing (together with Zydus) the clinical and regulatory strategy for the Product in the Zydus territory.
- vi. In case Pieris performs one or more clinical trials itself for a Product, the terms and conditions of this Agreement shall not change.
- vii. Providing then-existing data (such as data of clinical trials and CMC data) to Regulatory Authorities within the Territories, when any one of said Authorities so requires.

b) COSTS. Pieris shall be solely responsible for all costs and expenses arising from and/or relating to the Pieris Activities [\*\*\*] in the Pieris Territory from the Effective Date. Pieris shall also be solely responsible for all Third Party costs and expenses incurred by Pieris and not included in the Plans related to Research, Development and/or Commercialization.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

c) INFORMATION DISSEMINATION BY PIERIS. Pieris shall share with Zydus and provide (i) upon request of the CC, copies of clinical trial results and stability data for Product in existence as of the Effective Date, and any data, materials, Pieris Arising IP, Joint Arising IP, Pieris Acquired IP, safety data information and other Information generated by Pieris during the Term relating to Product, and (ii) Zydus with access to, and copies of, any technical information relating to Product and in its possession at the Effective Date and which is requested by a Regulatory Authority. The information described in (i) and (ii) of the preceding sentence is for use by Zydus with regard to the Development solely in the Zydus Territory. For the avoidance of doubt, [\*\*\*].

### 3) COORDINATION COMMITTEE

(a) Scope and Responsibilities of the CC. For the purpose of open and effective communication between each Party on all ongoing matters with regard to the Zydus Activities and the Pieris Activities, the Parties shall, within [\*\*\*] days of the Effective Date, establish the CC and hold the first meeting. The purpose of the CC shall be to set the overall strategy for Development of a Product and to monitor and govern the activities of the Parties in relation to Research and Development and the manufacturing and Commercialization, and the CC shall have the following specific responsibilities:

(i) Determination of Additional Product(s), including Product 2;

(ii) Preparation of, and agreement upon, Plans;

(iii) Modification and/or amendment of the Plans;

(iv) Information and data dissemination and provision of detailed progress updates between the Parties related to the Zydus Activities and the Pieris Activities;

(v) Oversight of [\*\*\*] the Party's Development, manufacture and Commercialization activities conducted under this Agreement following [\*\*\*]; and

(vi) Any other matters which the Parties agree, throughout the Term, should be discussed by or decided upon by the CC.

(b) Membership. The CC will be comprised of at least [\*\*\*] members [\*\*\*] and the initial membership shall be as set forth in Schedule 2.

(c) Chairmanship. The CC shall appoint a Chairman from among its members. The role of Chairman shall be to convene and preside at meetings of the CC. The Chairmanship shall alternate between a Zydus member of the CC and a Pieris member of the CC, on a semi-annual basis.

(d) Quorum and Decision-Making. The presence of at least [\*\*\*] shall constitute a quorum for the purpose of consideration and action of the CC. All decisions of the CC shall be unanimous vote, with each Party having one vote. In the event that the CC fails, after good faith efforts, to arrive at a decision, the matter shall be referred to the President or CEO of each Party for resolution except for the situation referred in Section 3(3)(e) below. In the event that the President(s) or CEO(s) cannot resolve the matter within [\*\*\*] days, the matter may be submitted for Dispute resolution pursuant to Article 12.

(e) In case the CC is unable to reach a consensus, via unanimous vote, on [\*\*\*], then [\*\*\*]; provided, however, that [\*\*\*].

(f) Meetings. The CC shall meet [\*\*\*] throughout the Term. Such meetings may be in-person, via videoconference or via teleconference. In-person meetings will be held alternately at Zydus' premises at Ahmedabad, India and Pieris' premises in Freising, Germany, unless the Parties otherwise agree. Each Party will bear the expenses of its participation in meetings. [\*\*\*] days prior to each meeting, each Party shall provide written notice to the other Party of agenda items for the meeting, together with appropriate information related thereto. The first CC meeting shall be held within [\*\*\*] days of the Effective Date. Non-member Authorized Persons of either Party can also attend such meetings.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

(g) Minutes. Material information provided or discussed at a CC meeting will be documented and signed by both Parties within [\*\*\*] days of the end of the meeting. Reasonably detailed written minutes will be kept of all meetings and will reflect, without limitation, material information provided at such meetings. Responsibility for drafting the minutes will be held by the Party that has Chairmanship of the CC at the applicable meeting. The draft minutes are subject to the other Party's review, comment and/or approval within [\*\*\*] days of receipt from the drafting Party. Failure by the other Party to provide comments within such [\*\*\*] day period shall be deemed to be an approval of the applicable draft minutes.

4) INFORMATION MANAGEMENT

The Parties agree to work together to identify methods appropriate for dissemination of information. Subject to the terms of this Agreement, each Party shall ensure that upon reasonable notice, it shall: (i) make its employees and non-employee consultants reasonably available to the other Party on issues in relation to the Development, including, without limitation, on regulatory, scientific, technical and clinical issues; and (ii) allow a reasonable number of appropriately qualified representatives of the other Party to have access to written records, accounts, notes, reports and data relating to the activities hereunder. The CC shall be responsible for arranging such information audit(s) referred in Section 3(5) or other procedures.

5) INFORMATION AUDITS AND SHARING

Pieris may carry out [\*\*\*] of the facility of Zydus at which the Product(s) are manufactured, as well as the documentation generated in connection with the manufacture and testing of Product(s), including all relevant standard operating procedures. Such audit, which shall typically last no longer than [\*\*\*] days, will take place during regular business hours and upon no less than four (4) weeks' prior written notice by Pieris. In addition, Pieris shall be entitled to perform additional for cause audits upon [\*\*\*] days' prior written notice, including without limitation in the event of (i) any documented [\*\*\*] regarding the Product(s) or the process of making the Product(s) (for example but not limited to [\*\*\*] or (ii) any [\*\*\*] during a Regulatory Authority's inspection or audit where such inspection or audit relates to the Product(s) or the process of making the Product(s); and Zydus shall immediately share with Pieris any and all findings during a Regulatory Authority's inspection or audit where such inspection or audit relates to the Product(s) or the process of making the Product(s). All audits mentioned above will be carried out by Pieris at Pieris' own costs but free of charge to Zydus. Notwithstanding the foregoing, [\*\*\*].

6) DEBARMENT

In the course of the Development of Products, neither Party shall use, during the Term, any employee, agent or independent contractor who has been debarred by any Regulatory Authority, or, to the best of such Party's knowledge, is the subject of debarment proceedings by a Regulatory Authority;

**ARTICLE 4**

**CONTINUED DEVELOPMENT AND COMMERCIALIZATION**

1) [\*\*\*]

The Zydus Activities and the Pieris Activities are intended to progress the clinical Development of each Product through the [\*\*\*] conducted by Zydus in the Zydus Territory pursuant to the respective Plan, including, without limitation, [\*\*\*].

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

2) CONTINUED ACTIVITIES IN A PARTY'S TERRITORY

(a) [\*\*\*], (i) [\*\*\*] and (ii) [\*\*\*]. In addition, the Parties may elect to co-develop such Product [\*\*\*] by mutual agreement. If both Parties elect to co-develop a Product, then the resulting ownership share shall be as the Parties mutually agree in a separate agreement. During the Term, each Development Party shall share all data generated in the continued Development of a Product in its Territory with the non-Development Party, so long as neither Party has opted out under Section 4(4).

(b) If, [\*\*\*] Pieris has not, [\*\*\*], then Pieris shall [\*\*\*]. If [\*\*\*], or if [\*\*\*], then [\*\*\*].

3) CONTINUED DEVELOPMENT IN PORTIONS OF THE PIERIS TERRITORY [\*\*\*]

[\*\*\*], if Pieris [\*\*\*], Pieris shall promptly notify Zydus [\*\*\*] and shall [\*\*\*], wherein [\*\*\*] will agree that (i) [\*\*\*]; (ii) [\*\*\*]. For the avoidance of doubt, [\*\*\*]. For the avoidance of doubt, [\*\*\*] under this Agreement [\*\*\*].

4) OPT-OUT OF DEVELOPMENT BY A PARTY IN ITS TERRITORY

(a) [\*\*\*], either Party shall be permitted to discontinue the Development and/or Commercialization of a Product and inform the other Party about such discontinuation pursuant to Section 13(3), in which case the other Party shall have the right to elect, by notifying the first Party pursuant to Section 13(3), to continue the Development and/or Commercialization of the Product and shall be designated as the sole-continuing Party for such Product. In case the other Party does so elect, it [\*\*\*]. The Party ceasing to continue the Development and/or Commercialization of the Product (the "Opt-Out Party") shall [\*\*\*] the Party continuing such Development and/or Commercialization (the "Continuing Party"). Further, the License granted by the Continuing Party to the Opt-Out Party hereunder shall terminate concurrently, and the License granted by the Opt-Out Party to the Continuing Party hereunder shall survive such termination and remain in effect, subject to the terms and conditions of this Agreement applicable thereto.

(b) Notwithstanding Article 7, the Opt-Out Party shall [\*\*\*] in relation to [\*\*\*] as follows:

(i) if the Continuing Party [\*\*\*], the Continuing Party will [\*\*\*] in accordance with Section [\*\*\*]; provided, however, that [\*\*\*] as mentioned in Section [\*\*\*];

(ii) if the Continuing Party [\*\*\*], the Continuing Party will [\*\*\*] in accordance with Section [\*\*\*];

(iii) if the Continuing [\*\*\*], the Continuing Party will [\*\*\*]; provided, however, that [\*\*\*] as mentioned in Section [\*\*\*]; and/or

(iv) if the Continuing Party [\*\*\*], the Continuing Party [\*\*\*] in accordance with Section [\*\*\*].

(c) The Parties agree that the Opt-Out Party will be notified once [\*\*\*]. For the avoidance of doubt, [\*\*\*].

(d) [\*\*\*] of same nature, related to [\*\*\*] shall be agreed between the Parties in good faith [\*\*\*].

5) OUTLICENSING

(a) Except where Pieris opts out under Section 4(4), Pieris [\*\*\*]. Terms of the Outlicensing agreement shall [\*\*\*]. Pieris will keep Zydus regularly informed of the progress of any Outlicensing in the Pieris Territory through regular reports to the CC. Zydus [\*\*\*]. During the term, Pieris may Outlicense the Product in the Zydus Territory in case Zydus, during the Term, opts out under Section 4(4).

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***



(b) Zydus will, at Pieris' request, cooperate in the preparation of such information and materials, participate in such presentations, due diligence procedures and other meetings and otherwise contribute toward such efforts as may be required to negotiate and complete any such Outlicensing in the Pieris Territory. Zydus shall grant such licenses and other rights to, and cooperate with, such Sublicensee as reasonably necessary to enable the Sublicensee to further develop and commercialize the Product in the Pieris territory and in the applicable Filed.

(c) Payments by Pieris to Zydus in connection with [\*\*\*] shall be made [\*\*\*].

(d) During the Term [\*\*\*] Territory, Zydus may Outlicense a Product [\*\*\*], except where Zydus opts out under Section 4(4). During the Term, Zydus may Outlicense the Product in the Pieris Territory in case Pieris opts out under Section 4(4).

(e) Nothing in this Agreement shall [\*\*\*].

(f) Each Party will decide the procedures for Outlicensing the Product(s) in its respective Territory. Within [\*\*\*] days of [\*\*\*] related to a Product in [\*\*\*], in each case within the one Party's Territory, that Party shall [\*\*\*]. Any [\*\*\*] shall be considered part of the providing Party's Confidential Information.

## 6) OUTLICENSING RESTRICTIONS

Neither Party shall contact Third Parties to discuss any potential Outlicenses other than such Outlicenses as are permitted pursuant to Section 4(5). During the Term, each Party shall notify the other Party of any unsolicited contacts from Third Parties that relate to any potential Outlicenses, except for such Outlicenses as are permitted pursuant to Section 4(5).

## ARTICLE 5

### MANUFACTURING

#### 1) MANUFACTURING OF PRODUCT BY ZYDUS IN THE ZYDUS TERRITORY

For the avoidance of doubt, [\*\*\*], [\*\*\*].

#### 2) MANUFACTURING AND SUPPLY AGREEMENT FOR THE PIERIS TERRITORY

Subject to Section [\*\*\*], [\*\*\*]. Notwithstanding the foregoing, [\*\*\*], if [\*\*\*],

Zydus shall use Commercially Reasonable Efforts and negotiate in good faith, with Pieris, its Affiliates, its Sublicensees and/or its successor-in-interest, the manufacturing and supply terms for the Product (including the API thereof), to be undertaken at Zydus' facilities, which shall be reflected in a definitive manufacturing and supply agreement (the "Manufacturing and Supply Agreement") containing customary terms and conditions of a contract manufacture and supply agreement, with the objective that Zydus is the world-wide supplier of the Product (including the API thereof). Notwithstanding the foregoing, [\*\*\*].

[\*\*\*] Notwithstanding the foregoing, [\*\*\*], [\*\*\*], provided, however, that the Third Party must be bound by obligations of confidentiality and non-use at least as equivalent in scope as and no less restrictive than those set forth in this Article 8. [\*\*\*].

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**ARTICLE 6**

**REGULATORY**

1) GENERAL

Pieris and Zydus, respectively, shall assume sole responsibility for the preparation, submission and maintenance of Regulatory Materials and for seeking Marketing Approvals in the Pieris Territory and the Zydus Territory, respectively. Such responsibilities shall include seeking necessary approvals from Regulatory Authorities for any label, labeling, package inserts and packaging, samples and promotional materials to be used in their respective Territory for Product and continuing relations with, and responding to inquiries and other communications of, applicable Regulatory Authorities.

2) REGULATORY MATERIALS.

All Regulatory and Marketing Approvals in the Zydus Territory and the Pieris Territory, respectively, shall be held in the respective name of, and shall be owned by, the respective Party. A Party shall consult with the other Party in its preparation of Regulatory Materials and in relation to any Regulatory Submission, and shall keep each other fully informed of any Regulatory Authority review, and approval of Regulatory Materials filings and Regulatory Submission in their respective Territory. Each Party shall be entitled to integrate data within the other Party's Control into its Regulatory Materials and, pursuant to the terms of this Agreement, shall have full access to the manufacturing data within the other Party's Control to assist with preparation of its Regulatory Materials. Neither Party shall file any Regulatory Materials with any Regulatory Authority without the prior written consent of the other Party, such consent not to be unreasonably withheld, conditioned or delayed in light of the intent and purposes of this Agreement.

3) GENERAL REGULATORY ASSISTANCE AND ACCESS TO REGULATORY INFORMATION.

Each Party will cooperate and provide the other Party with all Information and assistance reasonably necessary for such other Party to carry out and comply with any regulatory obligations or requirements of Regulatory Authorities for each Product in connection with the Research and/or Development and/or the manufacture and/or Commercialization in such other Party's Territory to the extent contemplated under the terms and intent of this Agreement, including, without limitation, providing such Information and assistance to such other Party as is necessary for such other Party to: (i) submit, obtain, maintain and update Regulatory Material for each Product with Regulatory Authorities in such other Party's regulatory jurisdiction (including, without limitation, sharing clinical data, pre-clinical data, Development data, manufacturing data, and notes and documents related to discussions with Regulatory Authorities in connection with such Regulatory Material); (ii) submit or file promotional materials with Regulatory Authorities in connection with the Products in the other Party's regulatory jurisdiction; and (iii) comply with any other requirements of Regulatory Authorities in connection with the Products in the other Party's regulatory jurisdiction.

**ARTICLE 7**

**PAYMENTS, TERM AND FINANCIAL REPORTING**

1) PAYMENTS [\*\*\*]

a) DEVELOPMENT MILESTONE PAYMENTS [\*\*\*]

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

To the extent [\*\*\*], Zydus shall pay to Pieris milestone payments in accordance with the following schedule and amounts:

<u>Stage</u>	<u>Amount (USD)</u>
[***]	\$ [***]

b) DEVELOPMENT MILESTONE PAYMENTS [\*\*\*]

To the extent [\*\*\*], Pieris shall pay to Zydus milestone payments in accordance with the following schedule and amounts:

<u>Event</u>	<u>Amount (USD)</u>
[***]	\$ [***]0
[***]	\$ [***]

2) [\*\*\*]

If [\*\*\*], Pieris shall share the Revenue with Zydus in accordance with [\*\*\*] as stipulated below:

<u>Development Phase in the Zydus Territory by Zydus</u>	<u>Pieris</u>	<u>Zydus</u>
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]
[***]	[***]	[***]

Pieris agrees that if [\*\*\*], then Pieris shall share [\*\*\*] of such [\*\*\*] Revenue with Zydus. If [\*\*\*], then Pieris and Zydus shall [\*\*\*].

Pieris agrees to promptly notify Zydus [\*\*\*], to provide a reasonable amount of time for an audit set forth in this [\*\*\*]. For the avoidance of doubt, [\*\*\*].

(B) [\*\*\*]

Upon and following [\*\*\*], Revenue [\*\*\*] in [\*\*\*] shall be shared between the Parties in the following proportion:

<u>Pieris</u>	<u>Zydus</u>
[***]	[***]

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Zydus agrees to promptly notify Pieris [\*\*\*].

**3) ROYALTY OBLIGATIONS.**

a) ROYALTY PAYABLE TO PIERIS

For [\*\*\*], except [\*\*\*], Zydus shall pay Pieris a [\*\*\*] tiered royalty as described in Section 7(3)(c) on all Net Sales sold by Zydus and its Affiliates (x) in the Zydus Territory [\*\*\*], or (y) in the Pieris Territory, in case Pieris opts out and Zydus elects to continue under Section 4(4); provided, however, that, in the Pieris Territory, the [\*\*\*]% tiered royalty will [\*\*\*]. All royalty payments due under this Section 7(3)(a) (“Zydus’ Royalty Obligation”) shall be made on a quarterly basis (i.e., within thirty (30) days after 31<sup>st</sup> March, 30<sup>th</sup> June, and 30<sup>th</sup> September and 31<sup>st</sup> December). For clarity, [\*\*\*].

b) ROYALTY PAYABLE TO ZYDUS

For [\*\*\*], except [\*\*\*], [\*\*\*], Pieris shall pay Zydus a [\*\*\*]% tiered royalty as described in Section 7(3)(c) on all Net Sales sold by Pieris and its Affiliates (x) in the Pieris Territory [\*\*\*], or (y) in the Zydus Territory, in case Zydus opts out and Pieris elects to continue under Section 4(4); provided, however, that, in the Pieris Territory, the [\*\*\*] tiered royalty will [\*\*\*]. All royalty payments due under this Section 7(3)(b) (“Pieris’ Royalty Obligation”) shall be made on a quarterly basis (i.e., within thirty (30) days after 31<sup>st</sup> March, 30<sup>th</sup> June, and 30<sup>th</sup> September and 31<sup>st</sup> December). For clarity, [\*\*\*].

c) TIERED ROYALTY RATES

<u>Net-Sales (USD)</u>	<u>Royalty rate</u>
[***]	[***]%
[***]	[***]%
[***]	[***]%

**4) PAYMENT CONDITIONS.**

The payment obligation of the Parties hereunder shall accrue as and when a Party or its respective Affiliates (as applicable) first receives any such amounts that bear (i) the Royalty Obligations on Net Sales set forth in Section 7(3) or (ii) the Revenue Obligations set forth in Section 7(1) ((i) and (ii) as applicable), respectively (each a “Payment Obligation”). Notwithstanding the foregoing, the Payment Obligation of one Party shall be subject to the following conditions, as may be applicable:

- a) [\*\*\*];
- b) [\*\*\*];
- c) [\*\*\*];
- d) [\*\*\*].
- e) [\*\*\*].

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**5) PAYMENT TERM.** One Party's Royalty Obligation under Section 7(3) will terminate upon the date which is the later of: (i) [\*\*\*]; or (ii) [\*\*\*] provided that, [\*\*\*].

**6) REPORTS.** Following (x) the accrual of a Party's payment obligations arising from Sections 7(1), 7(2) and/or 7(3) above (hereafter "Payment Obligations") and (y) until this Agreement expires or is terminated under Article 11 (the duration between (x) and (y) is hereafter referred to as the "Reporting Period"), such Party, on behalf of itself, its Affiliates and Sublicensees, shall furnish to the other Party a written report on [\*\*\*] basis [\*\*\*], accounting for the Net Sales of the Product subject to royalty obligations sold by it and/or its Affiliates in its Territory during the Reporting Period and any Pieris Revenue or Zydus Revenue, as the case may be, subject to the Payment Obligations, received by it and/or its Affiliates during the Reporting Period, and detailing the Payment Obligations under this Agreement. Each such report shall state, separately for such Party and each Affiliate, the number, description, and aggregate Pieris Revenues or Zydus Revenues, as the case may be, and aggregate Net Sales, on a [\*\*\*] basis during the calendar quarter during which a Payment Obligation is payable. The reports required pursuant to this Section 7(6) shall be provided to the other Party contemporaneously with the payment of the Payments Obligations hereunder. All sums due under this Agreement shall be made by the due date, failing which a Party may charge the other Party interest on any outstanding amount on a [\*\*\*] basis at a rate [\*\*\*].

**7) MAINTENANCE OF RECORDS.** The Parties shall keep and maintain (and cause to be kept and maintained) complete and accurate records of the Net Sales and Pieris Revenues and Zydus Revenues, as the case may be, by such Party and/or their respective Affiliates and Sublicensees. The Parties shall retain such records for [\*\*\*] years after the close of any Calendar Year.

**8) FINANCIAL AUDITS.**

(a) Upon [\*\*\*] days' prior written notice, no more frequently than [\*\*\*] in each period of [\*\*\*] months and no later than [\*\*\*] years following the applicable period of time, an independent certified public accounting firm of nationally recognized standing, reasonably acceptable to the Parties, at the expense of the Party initiating such request, shall have access during normal business hours to such of the records of the other Party and its Affiliates, as applicable, as may be reasonably necessary to verify the accuracy of the Revenue/royalty reports (as applicable) hereunder in relation to Net Sales as applicable, and any royalties or other payments due thereon. The accounting firm shall be under a duty to keep confidential any other information obtained from such reports. Each Party shall cooperate with the audit. The results of any audit shall be shared by the auditing Party with the audited Party. The fees charged by such accounting firm shall be paid by the Party initiating such request; provided, however, that if there is a discrepancy of an underpayment of more than [\*\*\*] in the Royalty/Revenue amounts, the Party initiating the request may (i) charge the other Party interest on any outstanding amount on a [\*\*\*] basis at a rate equivalent to [\*\*\*], and (ii) [\*\*\*].

(b) If such accounting firm concludes that additional payments were owed during such period, the Party so owing the payment shall pay the additional payments within [\*\*\*] days of the date the other Party delivers to the Party owing the payment, such accounting firm's written report so correctly concluding; provided, however, that [\*\*\*], [\*\*\*].

(c) Each Party shall include in each sublicense granted by it pursuant to this Agreement a provision requiring its respective Sublicensees to make reports to it, to keep and maintain records of sales made pursuant to such sublicense and to grant access and audit rights to such records by the mutually selected independent accountant.

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(d) The Parties shall treat all financial information subject to review under this Article 7 or under any sublicense agreement, in accordance with the confidentiality provisions of this Agreement, and shall cause the accounting firm to enter into a reasonably acceptable confidentiality agreement with the concerned Party obligating it to retain all such financial information in confidence pursuant to such confidentiality agreement.

**9) PAYMENT CURRENCY AND EXCHANGE RATE.** All payments to be made by either Party to the other Party under this Agreement shall be made in U.S. dollars (USD) and shall be paid by bank wire transfer to such bank account designated in writing by the other Party from time to time. In the case of sales/revenues which are invoiced/recorded in a foreign currency exchange, conversion of such sales into USD will be made on a [\*\*\*] basis and shall be made at the rate of exchange [\*\*\*].

**10) INCOME TAX WITHHOLDING.** Where any sum due to be paid to Pieris/Zydus (as applicable) hereunder shall be subject to any withholding tax, the Parties shall use all reasonable efforts to do all such acts and things and to sign all such documents as will enable them to take advantage of any applicable taxation treaty or agreement. In the event there is no applicable taxation treaty or agreement, or if an applicable taxation treaty or agreement reduces but does not eliminate such withholding or similar tax, the concerned Party shall pay such withholding or similar tax to the appropriate Governmental Authority, deduct the amount paid from the amount due to Pieris/Zydus (as applicable), and secure and send to Pieris/Zydus (as applicable) the best available evidence of such payment sufficient to enable Pieris/Zydus (as applicable) to obtain a deduction for such withheld taxes or obtain a refund thereof including, without limitation, when received, a copy of the official tax receipt evidencing payment of such tax to the appropriate taxing authority.

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ARTICLE 8

CONFIDENTIALITY

1) CONFIDENTIALITY

Except to the extent expressly authorized by this Agreement or otherwise agreed in writing by the Parties, the Recipient agrees that, for the Term and for [\*\*\*] years thereafter, it shall keep confidential and shall not publish or otherwise disclose and shall not use for any purpose other than as provided for in this Agreement (which includes the exercise of any rights or the performance of any obligations hereunder) any Confidential Information furnished to it by the Discloser pursuant to this Agreement except for that portion of such Information that the Recipient can demonstrate by competent written proof:

(a) was already known to the Recipient or any of its Affiliates, other than under an obligation of confidentiality to the Disclosing Party, at the time of disclosure by the Discloser;

(b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the Recipient;

(c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the Recipient in breach of this Agreement;

(d) is subsequently disclosed to the Recipient or any of its Affiliates by a Third Party without obligations of confidentiality to the Discloser with respect thereto; or

(e) is subsequently independently discovered or developed by the Recipient or its Affiliate without the aid, application, or use of Confidential Information of the Discloser.

2) AUTHORIZED DISCLOSURE

Each Party may disclose Confidential Information belonging to the other Party to the extent such disclosure is reasonably necessary in the following situations:

(a) filing or prosecuting Patents in accordance with Article 10;

(b) subject to Section 8(3), regulatory filings and other filings with Governmental Authorities (including Regulatory Authorities), including filings with the FDA, as necessary for the Development or Commercialization, as required in connection with any filing, application or request for Regulatory Approval; provided, however, that reasonable measures will be taken to assure confidential treatment of such information;

(c) prosecuting or defending litigation;

(d) complying with Applicable Law, including regulations promulgated by securities exchanges;

(e) subject to Section 8(3), complying with Applicable Laws, including regulations promulgated by securities exchanges;

(f) disclosure to its Affiliates, Authorized Persons, independent contractors, licensors and any Sublicensees (including prospective Sublicensees), but only on a need-to-know basis and solely in connection with the performance of this Agreement, provided that each aforementioned disclosee must be bound by obligations of confidentiality and non-use at least as equivalent in scope as and no less restrictive than those set forth in this Article 8 prior to any such disclosure;

(g) disclosure of the material terms of this Agreement to any bona fide potential or actual investor, stockholder, investment banker, acquirer, merger partner or other potential or actual financial partner; provided that each aforementioned disclosee must be bound by obligations of confidentiality and non-use at least as equivalent in scope as and no less restrictive than those set forth in this Article 8 prior to any such disclosure;

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

(h) disclosure of the stage of Development of Products under this Agreement to any bona fide potential or actual investor, stockholder, investment banker, acquirer, merger partner or other potential or actual financial partner; provided that each aforementioned disclosee must be bound by obligations of confidentiality and non-use at least as equivalent in scope as and no less restrictive than those set forth in this Article 8 prior to any such disclosure;

(i) disclosure of any blinded data generated under this Agreement to any bona fide potential or actual investor, stockholder, investment banker, acquirer, merger partner or other potential or actual financial partner; provided that each aforementioned disclosee must be bound by obligations of confidentiality and non-use at least as equivalent in scope as and no less restrictive than those set forth in this Article 8 prior to any such disclosure; and

(j) disclosure pursuant to Section 5(3)).

Notwithstanding the foregoing, in the event a Party is required to make a disclosure of the other Party's Confidential Information pursuant to Sections 8(2)(a), 8(2)(b), 8(2)(c) or 8(2)(d), it will, except where impracticable, give reasonable advance notice to the other Party of such disclosure and use reasonable efforts to secure confidential treatment of such information. In any event, the Parties agree to take all reasonable action to avoid disclosure of Confidential Information hereunder.

### 3) PUBLICITY; TERMS OF AGREEMENT

(a) The Parties agree that the material terms of this Agreement are the Confidential Information of both Parties, only subject to the special authorized disclosure provisions set forth in Section 8(2) and this Section 8(3). The Parties agree to make a joint public announcement of the execution of this Agreement substantially in the form of the press release attached as Schedule 6 on or after the Effective Date.

(b) After issuance of such joint press release, if either Party desires to make a public announcement concerning the material terms of this Agreement, such Party shall give reasonable prior advance notice of the proposed text of such announcement to the other Party for its prior review and approval (except as otherwise provided herein), such approval not to be unreasonably withheld in light of the intent and purposes of this Agreement, except that in the case of a press release or governmental filing required by Applicable Laws (where reasonably advised by the disclosing Party's counsel), the disclosing Party shall provide the other Party with such advance notice as it reasonably can and shall not be required to obtain approval therefor. A Party commenting on such a proposed press release shall provide its comments, if any, within [\*\*\*] days (or within three (3) business days in the event that one Party (or its Affiliate) is a public reporting company) after receiving the press release for review and the other Party shall give good faith consideration to same. Neither Party shall be required to seek the permission of the other Party to repeat any information regarding the terms of this Agreement that have previously been publicly disclosed by such Party, or by the other Party, in accordance with this Section 8(3). For clarity, [\*\*\*].

(c) The Parties acknowledge that either or both Parties may be obligated to file under Applicable Laws a copy of this Agreement with the Government Authorities of country where each Party is domiciled or has a public listing. Each Party shall be entitled to make such a required filing, provided that it requests confidential treatment of at least the financial terms and sensitive technical terms hereof and thereof to the extent such confidential treatment is reasonably available to such Party. In the event of any such filing, each Party will provide the other Party with a copy of this Agreement marked to show provisions for which such Party intends to seek confidential treatment not less than five (5) Business Days prior to such filing (and any revisions to such portions of the proposed filing a reasonable time prior

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to the filing thereof), and shall reasonably consider the other Party's comments thereon to the extent consistent with the legal requirements, with respect to the filing Party, governing disclosure of material agreements and material information that must be publicly filed, and shall only disclose Confidential Information which it is advised by counsel or the applicable Governmental Authority is legally required to be disclosed. No such notice shall be required under this Section 8(3)(c) if the substance of the description of or reference to this Agreement contained in the proposed filing has been included in any previous filing made by either Party hereunder or otherwise approved by the other Party.

(d) Each Party shall require each of its Affiliates and private investors to which Confidential Information of the other Party is disclosed as permitted hereunder to comply with the covenants and restrictions set forth in this Article 8 as if each such Affiliate and each such investor were a Party to this Agreement and shall be fully responsible for any breach of such covenants and restrictions by any such Affiliate or investor.

#### 4) PUBLICATIONS

(a) Neither Party shall publicly present or publish results of studies carried out under this Agreement (each such presentation or publication a "Publication") without the opportunity for prior review by the other Party, except to the extent otherwise required by Applicable Law, in which case Section 8(3) shall apply with respect to disclosures required by the SEC and/or for regulatory filings. The submitting Party shall provide the other Party the opportunity to review any proposed Publication at least [\*\*\*] days prior to the earlier of its presentation or intended submission for publication. The submitting Party agrees, upon request by the other Party, not to submit or present any Publication until the other Party has had [\*\*\*] days to comment on any material in such Publication. The submitting Party shall consider the comments of the other Party in good faith, but will retain the sole authority to submit the manuscript for Publication; provided that the submitting Party agrees to delay such Publication as necessary to enable the Parties to file a Patent if such Publication might adversely affect such Patent. The submitting Party shall provide the other Party a copy of the Publication at the time of the submission or presentation. Notwithstanding the foregoing, Zydus shall not have the right to publish or present Pieris' Confidential Information without Pieris' prior written consent, and Pieris shall not have the right to publish or present Zydus' Confidential Information without Zydus' prior written consent. Each Party agrees to acknowledge the contributions of the other Party, and the employees of the other Party, in all publications as scientifically appropriate.

(b) Nothing contained in this Section 8(4) shall prohibit the inclusion of information in a patent application claiming, and in furtherance of, the manufacture, use, sale or formulation of a Product, provided that the non-filing Party is given a reasonable opportunity to review, comment upon and/or approve the information to be included prior to submission of such patent application, where and to the extent required by Article 10 hereof.

(c) Notwithstanding Article 10, the Parties recognize that independent investigators have been engaged, and will be engaged in the future, to conduct clinical trials of Products. The Parties recognize that such investigators operate in an academic environment and may release information regarding such studies in a manner consistent with academic standards; provided that each Party will use reasonable efforts (e.g. through contractual relationship with said investigators) to prevent publication prior to the filing of relevant patent applications and to ensure that no Confidential Information of either Party is disclosed.

#### 5) TERMINATION OF PRIOR CDA AND PRIOR MTA.

This Agreement terminates, as of the Effective Date, the Prior CDA as well as the Prior MTA. All Information exchanged between the Parties under the Prior CDA as well as the Prior MTA and/or obtained by either Party under the Prior MTA shall be deemed Confidential Information of the corresponding Party under this Agreement and shall be subject to the terms of this Article 8.

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ARTICLE 9

WARRANTIES AND INDEMNITIES

1) PIERIS WARRANTIES

Pieris warrants, represents and undertakes to Zydus that, to the best of Pieris' knowledge, on and before the Effective Date:

- I. It is a corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including the right to grant the licenses granted by it hereunder;
- II. It has the full corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder. It has taken all necessary corporate action on its part required to authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of Pieris, and constitutes a legal, valid, and binding obligation of Pieris that is enforceable against it in accordance with its terms;
- III. It is not a party to any agreement, outstanding order, judgment or decree of any court or Governmental Authority that would prevent it from granting the rights granted to Zydus under this Agreement or performing its obligations under this Agreement;
- IV. It has not, and will not, after the Effective Date and during the Term, grant any right to any Third Party that would conflict with the rights granted to Zydus hereunder;
- V. Pieris is [\*\*\*].
- VI. Schedule 1 contains a complete listing of all Pieris Patents [\*\*\*] as of the Effective Date;
- VII. Pieris has sufficient legal and/or beneficial title, ownership or license under the Pieris Rights to grant the licenses to Zydus as purported to be granted pursuant to this Agreement; and
- VIII. There are no written allegations or pending proceedings which assert that the Development, use or sale of a Product infringes or will infringe Third Party rights or which challenge the validity or enforceability of the Pieris Patents.

2) ZYDUS WARRANTIES

Zydus warrants, represents and undertakes to Pieris that, to the best of Zydus' knowledge, as of the Effective Date:

- I. It is a company or corporation duly organized, validly existing, and in good standing under the laws of the jurisdiction in which it is incorporated, and has full corporate power and authority and the legal right to own and operate its property and assets and to carry on its business as it is now being conducted and as contemplated in this Agreement, including the right to grant the licenses granted by it hereunder;
- II. It has the full corporate power and authority and the legal right to enter into this Agreement and perform its obligations hereunder. It has taken all necessary corporate action on its part required to

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authorize the execution and delivery of this Agreement and the performance of its obligations hereunder. This Agreement has been duly executed and delivered on behalf of Zydus, and constitutes a legal, valid, and binding obligation of Zydus that is enforceable against it in accordance with its terms;

- III. It is not a party to any agreement, outstanding order, judgment or decree of any court or Governmental Authority that would prevent it from granting the rights granted to Pieris under this Agreement or performing its obligations under this Agreement;
- IV. It has not, and will not, after the Effective Date and during the Term, grant any right to any Third Party that would conflict with the rights granted to Pieris hereunder;
- V. it is the exclusive legal and beneficial owner of all rights, title and interest in the Zydus Rights, and there are no liens, encumbrances or other charges over any of them;
- VI. Zydus [\*\*\*] upon the terms and conditions of this Agreement [\*\*\*] under this Agreement;
- VII. Zydus will perform its obligations hereunder with reasonable care and skill;
- VIII. there are no written allegations or claims that Zydus is not entitled to the Zydus Rights;
- IX. it shall make a full and complete disclosure to Pieris of all Zydus relationships with Third Parties which may affect Pieris' complete exercise of rights under this Agreement;
- X. in the event of Zydus becoming aware of any information which might affect its ability to give the warranties and representations set out above it shall promptly notify Pieris.

### 3) MUTUAL INDEMNIFICATION

a) ZYDUS' OBLIGATION. Zydus will defend, indemnify, and hold harmless Pieris from and against any and all liabilities, damages, losses, penalties, fines, costs, interest, and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Damages"), direct or indirect, arising from or occurring as a result of (i) a Third Party's claim, action, suit, judgment, or settlement against Pieris (collectively, "Claims", and each a "Claim") arising out of the Development, preclinical and clinical testing, manufacture, distribution, Commercialization and/or use (including but not limited to product liability claims and claims for infringement of any Third Party intellectual property rights) of any Product, done by Zydus, its Affiliates or Sublicensees, or (ii) any breach by Zydus of an obligation, agreement, condition, covenant, representation, or warranty of Zydus under this Agreement; provided, however, that Zydus will not be obligated to indemnify or hold harmless Pieris from Damages under (i) and (ii) above to the extent that such Damages have resulted from (i) the grossly negligent (or more culpable e.g. willful) act or omission of Pieris or (ii) any breach by Pieris of an obligation, agreement, condition, covenant, representation, or warranty of Pieris under this Agreement or (iii) Pieris' Rights or Joint Arising IP.

b) PIERIS' OBLIGATION. Pieris will defend, indemnify, and hold harmless Zydus from and against any and all liabilities, damages, losses, penalties, fines, costs, interest, and expenses, including, without limitation, reasonable attorneys' fees (collectively, "Damages"), direct or indirect, arising from or occurring as a result of (i) a Third Party's claim, action, suit, judgment, or settlement against Zydus (collectively, "Claims" and each a "Claim") arising out of the Development, preclinical and clinical testing, manufacture, distribution, Commercialization and/or use (including but not limited to product liability claims and claims for infringement of any Third Party intellectual property rights) of any Product, done by Pieris, its Affiliates or Sublicensees, or (ii) any breach by Pieris of an obligation, agreement, condition, covenant, representation, or warranty of Pieris

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under this Agreement; provided, however, that Pieris will not be obligated to indemnify or hold harmless Zydus from Damages under (i) and (ii) above to the extent that such Damages have resulted from (i) the grossly negligent (or more culpable e.g. willful) act or omission of Zydus or (ii) any breach by Zydus of an obligation, agreement, condition, covenant, representation, or warranty of Zydus under this Agreement or (iii) Zydus' Rights or Joint Arising IP.

- c) INDEMNIFICATION PROCEDURE. Notwithstanding foregoing, Section 9(3)(a) or Section 9(3)(b) will not apply, unless the following (i), (ii) (iii) and (iv) are all satisfied: (i) when the respective Party (the "Indemnitee") seeks indemnification from the other Party (the "Indemnitor") with respect to any Claim, the Indemnitee shall provide written notice of the Claim to the Indemnitor as soon as reasonably practicable upon becoming aware of the Claim; (ii) the Indemnitor shall be entitled, but shall not be obligated, to participate in or assume the defence of the Claim; provided, however, that if the defence is assumed, the Indemnitor shall, through legal representative chosen by it at its cost, act reasonably, and the Indemnitee shall also have the right, but not the obligation, to employ separate legal representative, in which event the fees and expenses of such second legal representative shall be borne by the Indemnitee; (iii) the Indemnitee shall reasonably cooperate with the Indemnitor and its legal representative in the investigation or defence of such Claim; (iv) no Claim may be settled by the Indemnitor without the prior written consent of the Indemnitee.

4) LIMITATION OF LIABILITY.

NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, LOST PROFITS ARISING FROM OR RELATING TO ANY BREACH OF THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. HOWEVER, NOTHING IN THIS SECTION IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF EITHER PARTY HEREUNDER.

**ARTICLE 10**

**INTELLECTUAL PROPERTY**

1) OBTAIN AND MAINTAIN THE PATENTS

- a) Pieris shall, at its own cost and expense and within its sole discretion, file, maintain and prosecute (i) in the Territories, the Patents claiming the Pieris Rights, the Pieris Arising IP and the Pieris Acquired IP, and (ii) in the Pieris Territory only, the Joint Arising IP. Pieris shall [\*\*\*].
- b) Zydus shall, at its own cost and expense and within its sole discretion, file, maintain and prosecute (i) in the Territory, the Patents claiming the Zydus Rights, the Zydus Arising IP and the Zydus Acquired IP, and (ii) in the Zydus Territory only, the Joint Arising IP. Zydus shall not [\*\*\*].
- c) Notwithstanding foregoing Sections 10(1)(a) and (b), for said Patents, if either Party (the "Ceasing Party") wishes (i) not to file an application in any one of the following jurisdictions: [\*\*\*], (ii) abandon any such patent application or (iii) not to maintain any such Patent in any one of said jurisdictions, it shall give prior written notice to the other Party at least [\*\*\*] days before any relevant deadline, then the other Party has the right, exercisable within [\*\*\*] days exercisable within [\*\*\*] days of such notice, to take an assignment of the patent application or patent and, at its own expense, control the further prosecution the patent application or maintenance of such Patent. In the event such right is exercised by the other Party, the Ceasing Party shall effectuate said assignment and provide to the other Party all information necessary for the further prosecution or maintenance. For the avoidance of doubt, any such Patent is part of the other Party's Acquired IP.

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- d) Notwithstanding foregoing Sections 10(1)(a) and (b), with respect to the filing, maintaining and prosecution of (i) any of Joint Arising IP as well as (ii) any of Pieris Arising IP and Zydus Arising IP, before any action taken by either Party, the Parties will confer first and try to agree on a strategy for drafting and/or prosecuting the respective application. In this regard, each of Zydus and Pieris shall keep the other Party fully informed as to the status of preparation, prosecution and maintenance of the respective application or patent, including, without limitation, (x) providing the other Party the opportunity to fully review and comment on (i) any patent application at least [\*\*\*] days of the respective filing date and on (ii) any documents which will be filed in any patent office at least [\*\*\*] days of any relevant deadline, and (y) providing the other copies of any substantive documents that such Party receives from such patent office at least [\*\*\*] days after receipt, including notice of all interferences, reissues, re-examinations, oppositions or requests for patent term extensions. The other Party shall provide feedback at least [\*\*\*] days of the respective filing date or the relevant deadline. If the Parties could not agree on such a strategy in good faith upon [\*\*\*] days of the relevant deadline, Pieris will have the final decision-making authority regarding the filing, maintaining and prosecution of any of (i) [\*\*\*] and (ii) [\*\*\*];, while Zydus will have the final decision-making authority regarding the filing, maintaining and prosecution of any of (i) [\*\*\*] and (ii) [\*\*\*]; provided, however, that, if [\*\*\*], [\*\*\*]. Zydus and Pieris shall reasonably cooperate with and assist each other at their own respective expense in connection with activities referred under this Section 10(1)(d), at the other Party's request.

## 2) INFRINGEMENT OF THE PATENTS/INTELLECTUAL PROPERTY RIGHTS

- a) During the Term, each Party shall inform the other Party promptly if it becomes aware of any infringement or potential infringement in the Territory of any of the Pieris Rights, the Pieris Arising IP, the Pieris Acquired IP, the Zydus Rights, the Zydus Arising IP, the Zydus Acquired IP or the Joint Arising IP, and the Parties shall consult with each other to decide the best way to respond to such infringement.
- b) During the Term, if the Parties fail to agree on a joint program of action, including how the costs of any such action are to be borne and how any damages or other sums received from such action are to be distributed, then the Party (the "Enforcing Party") in whose Territory such infringement has taken place shall be entitled to take action against the applicable Third Party at its sole expense and the other Party (the "Abstaining Party") hereby agrees to be joined by the Enforcing Party in any legal proceeding where the Applicable Law requires the Abstaining Party's participation for the Enforcing Party to initiate and maintain such proceeding. In this regard, the Enforcing Party shall have control over such proceeding and the Abstaining Party shall reasonably cooperate with the Enforcing Party and defer to the Enforcing Party's decisions. The damages or other sums received from such action (the "Receipts") shall be distributed as follows: After deducting its own documented legal costs and reimbursing the other Party for any reasonable expenses incurred in assisting it in such action, the enforcing Party shall pay [\*\*\*] of all remaining Receipts to the other Party, and shall keep the balance of the remaining Receipts for itself. Notwithstanding the foregoing, during the Term, only the Continuing Party under Section 4(4) can take action against the applicable Third Party in the Territories,

## 3) INFRINGEMENT OF THIRD PARTY RIGHTS

- a) If any warning letter or other notice of infringement is received by a Party, or legal suit or other action is brought against such Party, alleging infringement of Third Party Rights in the practice of its Licence rights hereunder or in the manufacture, use or sale of the Product or use of any Patents, such Party shall promptly provide full details to the other Party, and the Parties shall discuss the best way to respond. The other Party, however, shall not be relieved of any of its obligations for indemnification, if any, provided for hereinabove, for such infringement.

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- b) Zydus shall have the right but not the obligation to defend any such suit in the Zydus Territory, and Pieris shall have the right but not the obligation to defend any such suit in the Pieris Territory. The defending Party shall have the right to settle with such Third Party, provided that if any action or proposed settlement involves the making of any statement, express or implied, concerning the validity of any Patent Controlled by the other Party, the consent of the other Party must be obtained before taking such action or making such settlement.
- c) Zydus shall be entitled to deduct, from royalties payable to Pieris in any Calendar Year under this Agreement, up to [\*\*\*] of any sums paid to Third Parties (including, without limitation, damages, payments in settlement of litigation and royalty payments) during the same Calendar Year, based on any alleged or actual infringement of Third Party rights as the result of Zydus' practice of the Pieris Rights pursuant to this Agreement; provided, however, that no such deduction shall exceed [\*\*\*] of the royalties otherwise payable to Pieris during such Calendar Year. Pieris shall be entitled to deduct, from payments payable to Zydus in any Calendar Year under this Agreement, up to [\*\*\*] of any sums paid to Third Parties (including, without limitation, damages, payments in settlement of litigation and royalty payments) during the same Calendar Year, based on any alleged or actual infringement of Third Party rights as the result of Pieris' practice of the Zydus Rights pursuant to this Agreement; provided, however, that no such deduction shall exceed [\*\*\*] of the payments otherwise payable to Zydus during such Calendar Year.

**ARTICLE 11**

**TERM AND TERMINATION**

**1) TERM**

This Agreement shall come into force on the Effective Date and, subject to the terms and conditions herein contained, will remain in effect until [\*\*\*] (the "Term"). [\*\*\*].

**2) TERMINATION**

a) Without prejudice to any other right or remedy it may have, either Party may terminate this Agreement at any time by notice in writing to the other Party, upon or after the occurrence of any one of the following:

- i. Breach of any material provision of this Agreement by the other Party and if the breaching Party has not cured such breach within the [\*\*\*] day period following written notice of termination by the non-breaching Party or breach of any provision of this Agreement by the other Party and if the breaching Party has not cured such breach within the [\*\*\*] day period following written notice of termination by the non-breaching Party; provided, however, that to the extent there is a Dispute as to the existence of such a breach, then prior to any termination under this Section 11(2)(a)(i), the Parties shall resolve such Dispute in accordance with Article 12; and
- ii. Insolvency or passing of a winding-up order or going into liquidation of the other Party, or if the other Party ceases to otherwise trade or is unable to pay its debts as and when they fall due or is otherwise subject to any insolvency or winding-up procedure; or a petition is presented for its winding up or it enters into a composition with its creditors; or has filed against it a petition in bankruptcy; makes any assignment for the benefit of creditors; has

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appointed a receiver of its property or a substantial portion thereof; or takes advantage of any other law or procedure for the protection of creditors; or the majority of the Party's shares are transferred to Third Parties.

Said notice shall take effect on the date as specified in the notice as long as such date is after the occurrence of any of the (i) or (ii) above. For the avoidance of doubt, the non-breach Party is entitled to cease performance of its obligations during the respective period referred above in Section 11(2)(a)(i) until the breaching Party has cured the breach.

b) Either Party shall be permitted to terminate this Agreement with respect to a Product after [\*\*\*], by providing one [\*\*\*] days' prior written notice to the other Party. Once this Agreement is so terminated pursuant to this Section 11(2)(b), either Party shall be solely responsible for any expenses in relation to its activities and/or responsibilities under this Agreement.

### 3) EFFECTS OF TERMINATION

- a) Termination of this Agreement for any reason shall not release either Party hereto from any of its outstanding financial obligations hereunder or any liability which, at the time of such termination, has already accrued to the other Party or which is attributable to a period prior to such termination, nor preclude either Party from pursuing all rights and remedies it may have hereunder or at law or in equity with respect to any breach of this Agreement.
- b) In the event of termination by Pieris pursuant to Section 11(2)(a)(i) or (ii), Pieris shall retain and/or have the exclusive rights to (i) all data generated until the effective date of such termination as well as the Arising IP relating thereto (Pieris Arising IP, Zydus Arising IP and Joint Arising IP) and (ii) to continue the Development and/or Commercialization of Products, whether directly or indirectly (e.g., through a Sublicensee), in a regulatory jurisdiction (e.g. a country or geographical region) within the Territories, without any further financial obligation to Zydus. Zydus agrees to execute one or more assignments necessary to effectuate such grant of rights to Pieris free of charge. Further, the License granted by Pieris to Zydus hereunder shall terminate concurrently, and the License granted by Zydus to Pieris hereunder shall survive such termination and remain in effect, subject to the terms and conditions of this Agreement applicable thereto.
- c) In the event of termination by Zydus pursuant to Section 11(2)(a)(i) or (ii), Zydus shall retain and/or have the exclusive rights to all data generated until the effective date of such termination as well as the Arising IP relating thereto (Pieris Arising IP, Zydus Arising IP and Joint Arising IP) and (ii) to continue the Development and/or Commercialization of Products, whether directly or indirectly (e.g., through a Sublicensee), in a regulatory jurisdiction (e.g. a country or geographical region) within the Territories, without any further financial obligation to Pieris. Pieris agrees to execute such as one or more assignments necessary to effectuate such grant of rights to Zydus free of charge. Further, the License granted by Zydus to Pieris hereunder shall terminate concurrently, and the License granted by Pieris to Zydus hereunder shall survive such termination and remain in effect, subject to the terms and conditions of this Agreement applicable thereto.
- d) In the event of termination by one Party pursuant to Section 11(2)(b), in term of the Product so terminated, each Party shall retain and/or have the exclusive rights to its Arising IP and the other Party agrees to execute one or more assignments necessary to effectuate such grant of rights to the first-mentioned Party free of charge. The Parties will handle Joint Arising IP pursuant to Article 10. Further, the License granted by one Party to the other Party hereunder shall terminate concurrently, except that the non-exclusive licenses granted under Section 2(1)(a)(3) and Section 2(1)(b)(3) hereunder shall survive such termination and remain in effect, subject to the terms and conditions of this Agreement applicable thereto. Furthermore, the Parties hereby agree to keep the data in confidence in accordance with Article 8 for the Term and [\*\*\*] years thereafter.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

4) SURVIVAL

The following provisions shall survive the expiration or termination of this Agreement for any reason: Articles 1 and 7 to 13.

**ARTICLE 12**

**GOVERNING LAW [\*\*\*]**

This Agreement shall be governed by and construed in accordance with the then-current substantive law of the state of New York, United States, without regard to the conflict of laws principles thereof. The Parties further agree that any Dispute that cannot be resolved by negotiation between the Parties shall [\*\*\*].

**ARTICLE 13**

**MISCELLANEOUS**

1) FORCE MAJEURE

Neither Party will be held liable or responsible to the other Party nor be deemed to have defaulted under or breached the Agreement for failure or delay in fulfilling or performing any term of the Agreement when such failure or delay is caused by or results from causes beyond such Party's reasonable control including, without limitation, war, fire, accident or other casualty, labor disturbance, strike or other industrial destruction, riots, revolt, acts of war (whether war be declared or not), insurrections, riots, civil commotions, or earthquakes, flood or other natural disasters or Acts of God or the public enemy, (collectively, "Force Majeure"), provided that, however, the Party affected will notify the other Party of such Force Majeure circumstances as soon as reasonably practicable and will make every reasonable effort to mitigate the effects of such Force Majeure circumstances.

2) FURTHER ASSURANCES

The Parties intend that this Agreement contain all consents, licenses and authorizations from one Party to the other necessary to enable each Party to perform its obligations hereunder. In the event any further such consents, licenses or authorizations are necessary, each Party agrees to take such further actions and execute such further agreements as may be reasonably necessary to carry out the intent and purposes of this Agreement.

3) SEVERABILITY

In the event any one or more of the provisions contained in this Agreement should be held invalid, illegal or unenforceable in any respect, the validity, legality and enforceability of the remaining provisions contained herein will not in any way be affected or impaired thereby, unless the absence of the invalidated provision(s) adversely affect the intent and purposes of this Agreement. The Parties will in such an instance use their diligent efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practicable, maintains the intent and purposes of this Agreement under this Agreement.

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4) NOTICES

All notices which are required or permitted hereunder will be in writing and sufficient if delivered personally, sent by facsimile (and promptly confirmed by personal delivery, registered or certified mail or overnight courier) or sent by nationally-recognized overnight courier addressed as follows:

if to Pieris, to: **Pieris, AG**  
Lise-Meitner-Straße 30, 85354  
Freising, Germany  
Attention: CEO  
Fax No: 49 (0) 8161 14 11 444

if to Zydus, to: **Zydus Research Centre**  
Sarkhej-Bavla N.H. No. 8A  
Moraiya, Ahmedabad - 382210  
Gujarat, India  
Attn: Dr. Sanjeev Kumar  
Sr. Vice President, Biotechnology  
Ph: +91-2717-665555

CC to **Cadila Healthcare Limited**  
Zydus Tower  
Satellite Cross Roads  
Ahmedabad -380 015  
India  
Attention: Mr. Arun Parikh  
Fax No.: +91-79-26868144

or to such other address as the Party to whom notice is to be given may have furnished to the other Party in writing in accordance herewith. Any such notice will be deemed to have been given (i) on the same business day if personally delivered or sent by facsimile or (ii) on the third (3<sup>rd</sup>) business day after dispatch if sent by nationally-recognized overnight courier.

5) ENTIRE AGREEMENT

This Agreement contains the entire understanding of the Parties with respect to License, Research, Development, manufacture and Commercialization of a Product as well as related financial obligations on either Party. All express or implied agreements and understandings, either oral or written, heretofore made by the Parties on the same subject matter, are expressly superseded by this Agreement. The Agreement may be amended, or any term hereof modified, only by a written instrument duly executed by both Parties hereto.

6) HEADINGS

The captions to the several Articles and Sections hereof are not a part of the Agreement nor affect the interpretation of any of its provisions, but are merely a convenience to assist in locating and reading the several Articles and Sections hereof.

7) INDEPENDENT CONTRACTORS

It is expressly agreed that Pieris and Zydus will be independent contractors and that the relationship between the two Parties will not constitute a partnership, joint venture or agency. Neither Pieris nor Zydus will have the ability to control the other Party or the authority to make any statements, representations or commitments of any kind, or to take any action, which will be binding on the other, without the prior written consent of the other Party.

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8) ASSIGNMENT

This Agreement may not be assigned or otherwise transferred, nor, except as expressly provided hereunder, may any right or obligation hereunder be assigned or transferred by either Party without the prior written consent of the other Party; provided, however, that a Party may make such an assignment or transfer without the other Party's consent to any Affiliate of such Party, provided that (i) such transfer shall not adversely affect the other Party's rights and obligations under this Agreement and that such assigning/transferring Party remains jointly and severally liable with such Affiliate for the performance of this Agreement and/or the assigned obligations, and (ii) that the assigning Party provides written notice to the other Party of such assignment and the assignee shall have agreed in writing to be bound (or is otherwise required by operation of Applicable Laws to be bound) in the same manner as such assigning Party hereunder. Notwithstanding the foregoing, either Party shall have the right to assign this Agreement to a Third Party successor-in-interest or purchaser of all or substantially all of the business or assets of such Party to which this Agreement relates (the "Third Party Assignee"), whether in a merger, combination, reorganization, sale of stock, sale of assets or other transaction; provided, however, that the Third Party Assignee expressly obligates itself in a written instrument delivered to the non-assigning Party, on or before the date of closing such merger, combination, reorganization, sale of stock, sale of assets or other transaction, to fully perform all of the obligations of the assigning Party under this Agreement. In addition, either Party may assign its right to receive proceeds under this Agreement or grant a security interest in such right to receive proceeds under this Agreement to one or more Third Parties providing financing to such Party pursuant to the terms of a security or other agreement related to such financing (i.e., for purposes of a royalty financing arrangement). The rights and obligations of the Parties under this Agreement shall be binding upon and inure to the benefit of the successors and permitted assigns of the Parties. Any attempted assignment not in accordance with this Section 13(8) will be void.

9) WAIVER

The waiver by either Party hereto of any right hereunder, or any failure to perform by the other Party, or any breach by the other Party will not be deemed a waiver of any other right hereunder or of any other breach or failure by said other Party whether of a similar nature or otherwise.

10) NO THIRD PARTY BENEFICIARIES

Except for as referred in Section 13(8), this Agreement is neither expressly nor impliedly made for the benefit of any Person other than the Parties.

11) COUNTERPARTS

The Agreement may be executed in two or more counterparts, each of which will be deemed an original, but all of which together will constitute one and the same instrument. The counterparts of this Agreement may be executed by one Party with electronic signature and delivered through facsimile or email to the other Party and the receiving Party may rely on the receipt of such counterpart so executed and delivered by as if the original had been received.

12) WAIVER OF RULE OF CONSTRUCTION

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 will be construed against the drafting Party will not apply.

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the Effective Date.

**CADILA HEALTHCARE LIMITED**

**PIERIS AG**

/s/ Nitin Parekh

/s/ Stephen S. Yoder

Name: Nitin Parekh  
Title: Chief Financial Officer

Name: Stephen S. Yoder  
Title : Chief Executive Officer

/s/ Arun Parikh

Name: Arun Parikh  
Title: Sr. V.P. Legal

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**SCHEDULE 1**

**Pieris Patents:**

(a) all patent applications derived from any one of the Patent Cooperation Treaty/PCT applications listed below in this Schedule 1 from i) to vi); (b) all patents issuing from such patent applications (including certificates of invention); (c) all patents and patent applications based on, corresponding to, or claiming priority from any of the foregoing; (d) all reissues, substitutions, confirmations, registrations, validations, re-examinations, additions, continuations, continued prosecution applications, continuations-in-part, or divisions of or to any of the foregoing; and (e) all term extensions, supplementary protection certificates and other governmental action beyond the original patent expiration date.

- i) PCT/DE98/02898
- ii) PCT/EP2004/009447
- iii) PCT/EP2007/057971
- iv) PCT/EP2009/051020
- v) PCT/EP2010/061436
- vi) PCT/EP2013/050158

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SCHEDULE 2

CC MEMBERS

[\*\*\*]

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SCHEDULE 3

**Plan**

Zydus and Pieris shall plan the activities in the CC meeting and track the progress on a regular basis.

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SCHEDULE 4

Zydus Territory (subject to Section 4(3)):

[\*\*\*]

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SCHEDULE 5

[\*\*\*]

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SCHEDULE 6

Press Release



**Zydus and Pieris Sign Broad Co-Development Alliance for Novel Anticalin® Therapeutics**

**—cMet antagonist, PRS-110, to be the flagship program—**

**Ahmedabad, India; Freising, Germany.**

Zydus Cadila, an innovative global pharmaceutical company that discovers, develops, manufactures and markets a broad range of healthcare products, and Pieris AG, a next generation therapeutic protein R&D company, have entered into an alliance for development and commercialization of multiple novel Anticalin®-based protein therapeutics, both companies announced today. The collaboration combines Pieris' drug discovery and early development capabilities with Zydus' expertise in biologics development, regulatory affairs and biologics manufacturing. Under the terms of the agreement, Zydus will take the lead in advancing Anticalin drug candidates through formal pre-clinical development and into clinical development, undertaking drug development in accordance with ICH guidelines. Zydus has been granted exclusive marketing rights in India and several other emerging markets, while Pieris retains exclusive marketing rights in key developed markets.

Mr. Pankaj R. Patel, Chairman and Managing Director, Zydus group said, "Collaborating with established biotech companies on differentiated drug candidates is an important component of Zydus' ongoing transformation into an innovation-led global healthcare provider, and we are pleased to add Anticalins to our novel biologics pipeline". Pieris CEO, Stephen Yoder, added, "With Zydus' state-of-the-art manufacturing facilities and seasoned drug development team, this collaboration will allow Pieris to unlock value on a global scale in a cost-effective manner, significantly expanding the number of proprietary Anticalin programs we can advance into clinical trials."

The most advanced program in the collaboration is PRS-110, an Anticalin specific for cMet, a target becoming increasingly validated across a broad spectrum of tumors. PRS-110, which is a pure antagonist due to its monovalent target engagement, has demonstrated the ability to

—CONTINUES—

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inhibit both ligand-dependent and -independent cMet signaling in a variety of animal models. Through this unique collaborative model, the companies seek to develop candidates to proof-of-concept and will explore out-licensing opportunities in Pieris' territories at the appropriate time. Licensing revenues would be shared on mutually agreed upon terms.

**About Zydus:**

Zydus Cadila is an innovative, global pharmaceutical company that discovers, develops, manufactures and markets a broad range of healthcare therapies. The group employs over 15,000 people worldwide and is dedicated to creating healthier communities globally. Zydus is the only Indian pharma company to launch its own patented NCE – Lipaglyn™, the world's first drug to be approved for the treatment of diabetic dyslipidemia. It aims to be a leading global healthcare provider with a robust product pipeline, achieve sales of over \$3 billion by 2015 and be a research-based pharmaceutical company by 2020.

The group has been making significant investments in the development and manufacturing of Biologics for more than a decade. Zydus has developed a pipeline of 17 Biosimilar drugs with six such drugs commercialized and others in clinical development. Zydus capitalizes on its in-house drug development and manufacturing strengths to partner in Novel Biologics opportunities and has so far advanced two novel biologic drugs to the clinical trial stage. Zydus has one of the largest Biologics manufacturing facilities in India with scales reaching up to 11,000 L per batch. With a vision to provide high quality Biologics drugs in a cost-effective manner Zydus aspires to be a world leader in the biologics space. For more information, please visit: [www.zyduscadila.com](http://www.zyduscadila.com)

**About Pieris & Anticalins**

Pieris AG is an independent, clinical-staged biotechnology company advancing its proprietary Anticalin® technology to create differentiated drugs that are safer and more effective than conventional approaches. Exclusive to Pieris, Anticalins promise to address high-unmet medical needs and expand the potential of targeted therapeutics. The company currently has a diverse proprietary pipeline and has, in addition to Zydus, ongoing R&D collaborations with Daiichi Sankyo, the Sanofi Group and Allergan. Privately held, Pieris has been funded by premier biotechnology-focused venture capital, including lead investors OrbiMed Advisors and Global Life Science Ventures. For more information, please visit: [www.pieris-ag.com](http://www.pieris-ag.com).

Anticalins® are recombinantly engineered versions of human lipocalins, low-molecular weight polypeptides that naturally bind, store and transport a wide spectrum of molecules. To make Anticalins, Pieris makes discrete changes to those lipocalin amino acid positions responsible in endogenous ligand binding, thereby redirecting specificity away from the natural ligand and to virtually any target of interest. By utilizing an endogenous binding protein as a template, Pieris "hijacks" the natural function of the lipocalin to enable diverse therapeutic applications.

—END—

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For more information, please contact:

**Zydus**

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**Pieris AG**

Stephen Yoder, CEO  
+49 (0) 8161 1411 400

Gretchen Schweitzer  
+49 172 861 8540  
[media@pieris-ag.com](mailto:media@pieris-ag.com)

Anticalin®, Anticalins® are registered trademarks of Pieris AG.

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CONFIDENTIAL TREATMENT REQUESTED

CONFIDENTIAL

**JOINT DEVELOPMENT & LICENSE AGREEMENT**

This Joint Development and License Agreement (this "Agreement") is made as of November 21<sup>st</sup>, 2013 (the "Effective Date"), by and between Pieris AG, a German stock corporation organized and existing under the laws of Germany, whose principal place of business is at Lise-Meitner-Straße 30, 85354 Freising, Germany ("Pieris"), and Stelis BioPharma Private Limited, formerly known as Agila Biotech Private Limited, a company incorporated under the Companies Act (India), 1956 and having its registered office at Strides House, Bilekahalli, Bannerghatta Road, Bangalore 560 076, India ("Stelis BioPharma"). Pieris and Stelis BioPharma may be referred to individually as a "Party" or together as the "Parties."

BACKGROUND

- A. Pieris has certain proprietary technologies and know-how available before the Effective Date (the "Pieris Technology"), which is used to create and develop engineered lipocalin muteins (each, an "Anticalin® Protein");
- B. Stelis BioPharma is engaged in the business of manufacturing and supplying therapeutic biological products for research and development and commercial purposes;
- C. Pieris and Stelis BioPharma desire to collaborate in the Field with each other, to develop certain therapeutic biological products, comprising Anticalin® Protein(s) made using the Pieris Technology, [\*\*\*] in accordance with the terms and conditions of this Agreement;
- D. Pieris and Stelis BioPharma may establish a joint venture company (the "JVC") to further develop and commercialize one or more such products, after [\*\*\*], pursuant to a separate Joint Venture Agreement to be entered into by the Parties (the "JVA") as set forth in Article 3.8; and
- E. Upon successful completion of the pre-clinical activities in the Territory for such product(s) and the JVC's receipt of all necessary Technology Transfer Documents (TTD), Consents, business licenses and governmental approvals, and contingent upon the Parties' agreement to form the JVC and on a plan and budget for the further development and commercialization of such product(s), such product(s) and all associated data, rights and assets will be transferred to the JVC and the JVC will continue the development and commercialization of such product(s) as further provided in the JVA.

NOW, THEREFORE, in consideration of the mutual covenants and promises herein contained and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged by the Parties, the Parties agree as follows:

Article 1  
DEFINITIONS

1.1 "Indian Act" means the Drugs and Cosmetics Act (India), 1940.

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1.2 “Additional Product(s)” means [\*\*\*], named by mutual agreement between the Parties after the Effective Date pursuant to Article 3.11.

1.3 “Acquired Intellectual Property” or “Acquired IP” means all Information, know-how, intellectual property, including Improvements and any and all inventions, patents, copyrights and trademarks and other rights, in each case necessary for the performance of the activities set forth in this Agreement and the applicable Development Plan and over which one Party acquires Control during the Term.

1.4 “Affiliate” means, with respect to a Party, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For the purposes of this definition, “control” means: (a) to possess, directly or indirectly, the power to direct the management and policies of such Person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance; or (b) ownership of more than fifty percent (50%) of the voting securities in such Person (or such lesser percent as may be the maximum that may be owned pursuant to Applicable Laws of the country of incorporation or domicile, as applicable). For clarity, for purposes of this Agreement, the JVC shall not be deemed an Affiliate of either Party.

1.5 “[\*\*\*]” means, [\*\*\*].

1.6 “Applicable Laws” means any laws, statutes, rules, regulations, guidelines, and standards promulgated by any governmental authority of competent jurisdiction applicable to the Parties or the activities contemplated hereunder, together with any judgments, orders, notices, instructions, decisions, standards, guidance and awards, each having the force of law, issued by a court or competent authority or tribunal or a Regulatory Authority to which the applicable Party is subject, including, as applicable, GCP, GLP, GMP, the Indian Act and the Indian Rules.

1.7 “Background Technology” means, with respect to a Party, any and all technology, know-how, technical information and other technical subject matter, and all intellectual property rights therein, in each case Controlled by such Party as of the Effective Date or otherwise conceived or developed by or on behalf of such Party outside the performance of this Agreement, in each case that are necessary for the performance of the activities set forth in this Agreement and the applicable Development Plan.

1.8 “Collaboration Product(s)” means, [\*\*\*].

1.9 “Consents” means any consent, license, approval, authorization, waiver, permit, grant, concession, agreement, license, certificate, exemption, order or registration, of or with any Person.

1.10 “Control” means the possession (whether by ownership, license or other authorization), as of the Effective Date or during the Term, of (a) with respect to materials, data or information, physical possession or the right to such physical possession of those items, and the right to provide them to others (including the other Party); and (b) with respect to intellectual property rights, the right sufficient to grant the applicable license or sublicense under this Agreement; in each case without violating the terms of any agreement with any Third Party. Notwithstanding anything to the contrary in this Agreement, the following shall not be deemed to be Controlled by

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a Party: (i) any materials, data, information or intellectual property owned or licensed by any Acquiring Entity immediately prior to the effective date of merger, consolidation or transfer, and (ii) any materials, data, information or intellectual property that any Acquiring Entity subsequently develops independently, without accessing or practicing Pieris' Background Technology (in the case of an Acquiring Entity of Pieris) or Stelis BioPharma's Background Technology (in the case of an Acquiring Entity of Stelis BioPharma). For the purpose of this Article 1.10, "Acquiring Entity" means, with respect to a Party, a Third Party that merges or consolidates with or acquires such Party, or to which such Party transfers all or substantially all of its assets to which this Agreement pertains. "Controlled" has its corollary meaning.

1.11 "Commercially Reasonable Efforts" means application of expertise and resources that are typical in the pharmaceutical industry in the research, development and commercialization of a product or compound owned by a Third Party or resulting from a Party's own research efforts, which product or compound is [\*\*\*].

1.12 "Dispute" means any dispute arising from or relating to this Agreement, including, without limitation, the interpretation of any term of this Agreement, the rights and liabilities of the Parties hereto and/or the assessment of a Party's compliance with any of its obligations under this Agreement.

1.13 "Drug Product" or "DP" means the final dosage form, which contains a Collaboration Product in association with other active or inactive ingredients.

1.14 "Drug Substance" or "DS" means any substance or mixture of substances, comprising a Collaboration Product, intended to be used in the manufacture of a Drug Product and that, when used in the production of the Drug Product, becomes the Active Pharmaceutical Ingredient of the Drug Product. Such substances are intended to furnish pharmacological activity or other direct effect in the diagnosis, cure, mitigation, treatment, or prevention of disease or to affect the structure and function of the body.

1.15 "Facility" means (a) a GMP-compliant facility jointly identified by both Parties for manufacturing (including storing and handling) any Drug Product of Collaboration Product(s) for pre-clinical studies and/or clinical trials, (and (b) [\*\*\*]), or such other facility as identified by JVA and notified to Pieris, only when all applicable testing and validation of such facility has been successfully completed, and all required Consents have been obtained, and such facility is otherwise ready and available for use in manufacture of Collaboration Products.

1.16 "Field" means (i) with respect to [\*\*\*], the treatment, palliation and/or prevention of [\*\*\*] diseases in human; and (ii) with respect to any Additional Product, the treatment, palliation and/or prevention of [\*\*\*].

1.17 "GCP" means the then-current FDA regulations and guidelines for "Good Clinical Practice," as promulgated by the FDA under 21 CFR Parts 50, 54, 56 and 312, as amended from time to time, or any foreign equivalents thereto (e.g., ICH Guideline for Good Clinical Practice) in the country in which the applicable pre-clinical study or clinical trial is conducted.

1.18 "GMP" means the then-current Good Manufacturing Practices pursuant to the U.S. Food, Drug and Cosmetic Act and any U.S. regulations found in Title 21 of the U.S. Code of Federal

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Regulations (including Parts 11, 210 and 211 and the provisions of the Act and the Rules) and comparable laws, rules and regulations applicable to the manufacture, labeling, packaging, handling, storage, supply and transport of any Collaboration Product in any jurisdiction where the applicable Collaboration Product is or may be utilized in humans hereunder.

1.19 “GLP” means the then-current FDA regulations and guidelines for “Good Laboratory Practice,” as promulgated by the FDA under Title 21 of the U.S. Code of Federal Regulations Part 58, as amended from time to time, or any foreign equivalents thereto in the country in which research is conducted hereunder.

1.20 “ICH” means the International Conference on Harmonization.

1.21 “Investigational Medical Product” or “IMP” means a pharmaceutical form of a DP or DS being tested in one or more clinical trials.

1.22 “[\*\*\*]” means, [\*\*\*].

1.23 “[\*\*\*]” means [\*\*\*].

1.24 “[\*\*\*]” or “[\*\*\*]” means [\*\*\*].

1.25 “Marketing Approval” means the act of a Regulatory Authority necessary for the Commercialization of a Product for one or more indications in a regulatory jurisdiction in the Territories, including, without limitation, the approval of an NDA by a Regulatory Authority and satisfaction of all applicable regulatory and notification requirements.

1.26 “New Drug Application” or “NDA” means an application or set of applications (and any other required registrations, notifications, forms, amendments or supplements) for a Marketing Approval for a Product and/or pre-market approval to make and commercialize the Product, filed with a Regulatory Authority including, without limitation, all documents, data and other information concerning a pharmaceutical product which are necessary for gaining the Marketing Approval.

1.27 “[\*\*\*]” means [\*\*\*].

1.28 “Person” means any individual, corporation, partnership, limited liability company, trust, business trust, association, joint-stock company, joint venture, pool, syndicate, sole proprietorship, unincorporated organization, government authority or any other form of entity not specifically listed herein.

1.29 “Pieris Technology” means Pieris’ proprietary technologies and know-how available before the Effective Date, together with all intellectual property rights therein.

1.30 “Phase I Clinical Trial” means any human clinical trial conducted in healthy volunteers or patients anywhere in the Territory with a Collaboration Product in accordance with GCP to establish an initial safety profile and the pharmacokinetics and/or pharmacodynamics of the Collaboration Product, or otherwise generally consistent with 21 C.F.R. §312.21(a). Phase I Clinical Trials include Phase Ia Clinical Trials and Phase Ib Clinical (multiple ascending dose) Trials.

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1.31 “Phase II Clinical Trial” means any controlled human clinical trial conducted anywhere in the Territory with a Collaboration Product in accordance with GCP to evaluate the effectiveness of the drug for a particular indication or indications in patients with the disease or condition under study and to determine the common short-term side effects and risks associated with the drug. Phase II Clinical Trials are typically well controlled, closely monitored, and conducted in a relatively small number of patients, or otherwise generally consistent with 21 C.F.R. §312.21(b).

1.32 “Phase III Clinical Trial” means any human clinical trial conducted anywhere in the Territory with a Collaboration Product in accordance with GCP on a sufficient numbers of patients that is designed, if the defined end-points are met, to establish safety and efficacy of a pharmaceutical product in patients with the indication being studied for purposes of filing a Marketing Approval application or to otherwise be a pivotal trial for obtaining a Marketing Approval or label expansion for such pharmaceutical product or otherwise generally consistent with 21 C.F.R. §312.21(c).

1.33 “[\*\*\*]” means [\*\*\*]; provided, however, that [\*\*\*] (i) [\*\*\*], (ii) [\*\*\*], and (iii) [\*\*\*].

1.34 “Raw Materials” means, with respect to any Collaboration Product(s), any and all ingredients, including media, buffers, solvents and other components [\*\*\*] used in the manufacture of such Collaboration Product hereunder in accordance with the [\*\*\*] and Specifications for such Collaboration Product.

1.35 “Regulatory Approval” means all approvals, licenses, clearances, registrations or authorizations received from any Regulatory Authority in response to a Regulatory Filing together with all necessary approvals by any regulatory advisory board (e.g. institutional review board and ethics committee).

1.36 “Regulatory Authority” means any federal, national, multinational, state, provincial or local regulatory agency, department, bureau or other governmental entity with authority over the development, manufacture or other commercialization (including the granting of Regulatory Approvals) of any Collaboration Product in any jurisdiction, including the Drugs Controller General of India, European Medicines Agency (“EMA”) and the United States Food and Drug Administration (“FDA”), in each case, any successor entity thereto.

1.37 “Regulatory Filings” means any submission made to a Regulatory Authority with respect to a pharmaceutical or medicinal product, including any application necessary to commence or conduct clinical testing of such product in humans, any submission to a regulatory advisory board with respect to such product, and in each case any supplement or amendment to any of the foregoing.

1.38 “[\*\*\*]” or “[\*\*\*]” means [\*\*\*].

1.39 “Indian Rules” means the Drugs and Cosmetic Rules (India), 1945.

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1.40 “Results” means any and all data, results and reports from any pre-clinical studies or clinical trials with respect to any Collaboration Product conducted hereunder, including all data, results and reports from all pre-clinical studies (such as Animal Toxicity Studies) as well as from all clinical trials conducted hereunder and all interim reports and the final report generated therefrom.

1.41 “Specifications” means, with respect to a Collaboration Product, those specifications, manufacturing guidelines, control procedures, acceptance criteria, validation protocols, packaging, storage and release requirement or procedures or other similar requirements for the manufacture of such Collaboration Product, as mutually agreed by the Parties and set forth in the applicable Development Plan.

1.42 “Sublicensee” means any Third Party to which either Party grants any right to make, have made, use, sell, have sold, offer for sale and/or import/export a Collaboration Product in the Field anywhere in the Territory. For the avoidance of doubt, a Third Party who is granted only the right to distribute or promote a Collaboration Product (such as a contract sales organization) on behalf of either Party will not be considered a Sublicensee.

1.43 “[\*\*\*]” means, with respect to [\*\*\*].

1.44 “Territory” means [\*\*\*].

1.45 “Technology Transfer Documents” or “TTD” means any and all documents, generated by either Party and pertaining to the Collaboration Product(s), including, but not limited to, selection of Collaboration Product(s), all pre-clinical/ *in vitro* studies carried out on the Collaboration Product(s), all process development studies whether carried out in-house or at a third-party CMO site in connection with the Collaboration Product(s), all CMC studies in connection with the Collaboration Product(s), and all data pertaining to any and all analytical method development activities in connection with the Collaboration Product(s).

1.46 “Third Party” means a Person other than Pieris, Stelis BioPharma and their respective Affiliates, employees and representatives.

1.47 “Third Party Proprietary Technology” means any technology that is Controlled by a Third Party and is not in the public domain.

1.48 “[\*\*\*]” means [\*\*\*].

1.49 Additional Defined Terms. Each of the following terms shall have the meaning described in the corresponding Article of this Agreement indicated below:

<b>term</b>	<b>Article Defined</b>
Stelis BioPharma Improvements	10.5
Alliance Manager	2.6
Co-Chair	2.2

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<b>term</b>	<b>Article Defined</b>
Collaboration Technology	10.3
Confidential Information	9.1
Development Plan	3.1
Indemnitee	13.3
Indemnitator	13.3
JSC	2.1
JVA	Background
JVC	Background
Pieris Improvements	10.4
Pieris Materials and Deliverables	4.1.1
Plan and Budget	3.9
Prior Confidentiality Agreement	9.5
Subcommittee	2.7
Term	11.1

1.50 **Interpretation.** The captions and headings to this Agreement are for convenience only, and are to be of no force or effect in construing or interpreting any of the provisions of this Agreement. Unless specified to the contrary, references to Articles, Articles or Exhibits means the particular Articles and Articles of or Exhibits to this Agreement, and references to this Agreement include all Exhibits hereto. Unless context clearly requires otherwise, whenever used in this Agreement: (a) the words “include” or “including” shall be construed as incorporating, also, “but not limited to” or “without limitation;” (b) the word “or” shall have its inclusive meaning of “and/or;” (c) the word “day” or “quarter” or “year” means a calendar day or calendar quarter or calendar year unless otherwise specified; (d) the word “notice” shall require notice in writing (whether or not specifically stated) and shall include notices, consents, approvals and other written communications contemplated under this Agreement; (e) the words “hereof,” “herein,” “hereunder,” “hereby” and derivative or similar words refer to this Agreement (including any Exhibits); (f) provisions that require that a Party or the Parties hereunder “agree,” “consent” or “approve” or the like shall require that such agreement, consent or approval be specific and in writing, whether by written agreement, letter or otherwise; (g) words of any gender include the other gender; (h) words using the singular or plural number also include the plural or singular number, respectively; (i) references to any specific law, or article, Article or other division thereof, shall be deemed to include the then-current amendments thereto or any replacement thereof; and (j) provisions that refer to Persons acting “under the authority of Pieris” shall include Pieris’ Affiliates or licensees, as applicable, and those Persons acting “under the authority of Stelis BioPharma” shall include Stelis BioPharma’s Affiliates or Sublicensees, as applicable; conversely, those Persons acting “under the authority of Pieris” shall exclude Stelis BioPharma, its Affiliates and Sublicensees, as applicable, and those Persons acting “under the authority of Stelis BioPharma” shall exclude Pieris, its Affiliates and Sublicensees, as applicable.

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Article 2  
GOVERNANCE

2.1 JSC Establishment. Within [\*\*\*] days of the Effective Date, the Parties agree to establish a joint steering committee (“JSC”) for the overall coordination and oversight of the Parties’ activities under this Agreement.

2.2 JSC Membership. The JSC shall be comprised of [\*\*\*]. Either Party may replace its respective JSC representatives at any time with prior written notice to the other Party, provided that such replacement has comparable authority and scope of functional responsibility within that Party’s organization as the individual he or she is replacing. Without limiting the foregoing, each Party shall appoint by notice to the other Party one of its members to the JSC as a co-chair of the JSC (each, a “Co-Chair”). The Co-Chairs shall ensure (a) the orderly conduct of the JSC’s meetings (b) attend (subject to below) each meeting of the JSC, The Co-Chairs shall coordinate with the Alliance Manager to (a) prepare the agenda and (b) to prepare and issue minutes of each meeting within [\*\*\*] days thereafter accurately reflecting the discussions and decisions of the JSC at such meeting. The Parties shall prepare the minutes in an alternating fashion which minutes shall constitute Confidential Information of each Party. Such minutes from each JSC meeting shall not be finalized until each Party has reviewed and approved the accuracy of such minutes in writing. The Alliance Manager shall solicit agenda items from the JSC members and provide an agenda along with appropriate information for such agenda reasonably in advance (to the extent possible) of any meeting. In the event the presiding Co-Chair or another member of the JSC from either Party is unable to attend or participate in any meeting of the JSC, the Party who designated such member may designate a substitute representative for the meeting.

2.3 JSC Responsibilities. The role of the JSC shall be:

2.3.1 to review and approve the Development Plan for any Collaboration Product(s) and any amendment thereto;

2.3.2 to coordinate and oversee the transfer of Pieris Materials and Deliverables to Stelis BioPharma;

2.3.3 to manage and oversee the implementation of the Development Plan for any Collaboration Product(s), including all regulatory activities required or otherwise conducted in accordance therewith;

2.3.4 to monitor each pre-clinical study and clinical trial conducted pursuant to the Development Plan for the respective Collaboration Product(s);

2.3.5 to provide a forum for the Parties to exchange information with respect to matters pertaining to and status of the performance of the Development Plan for any Collaboration Product(s);

2.3.6 to coordinate and oversee the transfer of any Collaboration Product(s) to the JVC pursuant to Article 3.9 when the Parties enter into the JVA; and

2.3.7 to perform such other functions as appropriate to further the purposes of this Agreement, as expressly set forth hereunder or otherwise agreed in writing by the Parties.

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2.4 JSC Meetings.

2.4.1 Conduct. During the Term, the JSC shall hold at least [\*\*\*] per [\*\*\*] in accordance with a schedule established in advance [\*\*\*] or as the JSC otherwise agrees. Meetings of the JSC shall be effective [\*\*\*] at least [\*\*\*]. The JSC may meet either (a) in person at either Party's facilities or at such locations as the Parties may otherwise agree; or (b) by audio or video teleconference; provided that at least [\*\*\*] such meeting per [\*\*\*]. With the prior consent of the other Party's representatives (such consent not to be unreasonably withheld or delayed), each Party may invite non-member employees to participate in the discussions and meetings of the JSC, provided that such participants shall have no vote and shall be subject to the confidentiality provisions set forth in Article 9 of this Agreement. Additional meetings of the JSC may also be held with the mutual consent of the Parties, or as required under this Agreement, and neither Party will unreasonably withhold or delay its consent to hold any such additional meeting. Each Party shall be responsible for all of its own expenses incurred (e.g. for its representative(s) and employee(s)) in connection with participating in the JSC.

2.4.2 Progress Report. At each meeting of the JSC, each Party shall summarize to the JSC the progress of the activities performed by or under authority of such Party and its Affiliates with respect to each Collaboration Product during the period since the last meeting of the JSC.

2.5 JSC Decision Making. Decisions of the JSC shall be made by [\*\*\*]. Each Party shall [\*\*\*] on all matters and act in the general spirit of cooperation and in no event shall either Party unreasonably withhold, condition or delay any approval or other decision of the JSC hereunder. In the event [\*\*\*], then [\*\*\*] pursuant to Article [\*\*\*]. For clarity, [\*\*\*] of this Agreement. It is further understood and agreed that [\*\*\*].

2.6 Alliance Manager. Promptly after the execution of this Agreement, each Party shall appoint a single individual to act as the primary point of contact between the Parties in connection with the performance of the Development Plans (each, an "Alliance Manager"). Each Party may at any time appoint a different Alliance Manager by written notice to the other Party and may elect, upon mutual agreement by the Parties, to eliminate the responsibilities of the Alliance Managers. The Alliance Managers shall be entitled to attend meetings of the JSC, but shall not have, or be deemed to have, any rights or responsibilities of a member of the JSC, unless also designated as a member of the JSC pursuant to Article 2.2. Each Alliance Manager may bring any matter to the attention of the JSC where such Alliance Manager reasonably believes that such matter requires such attention.

2.7 Subcommittees. Promptly after the establishment of the JSC, the JSC shall establish the following subcommittees (each, a "Subcommittee"): (a) [\*\*\*]; (b) [\*\*\*]; (c) [\*\*\*]; (d) [\*\*\*]; and (e) [\*\*\*]. Each Subcommittee shall consist of equal number of representatives of each Party and shall meet with such frequency as the JSC determines is appropriate. Each Subcommittee shall be responsible for day-to-day implementation and operations of the activities under this

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Agreement for which it has or is otherwise assigned responsibility, provided that such implementation is not inconsistent with the express terms of this Agreement, the applicable Development Plan or the decisions of the JSC. Each Subcommittee shall operate by [\*\*\*], with [\*\*\*] at least [\*\*\*]. If, with respect to a matter that is subject to a Subcommittee's decision-making authority, the Subcommittee cannot reach unanimity, the matter shall be referred to the Alliance Manager, who shall submit such matter to the JSC for resolution in accordance with Article 2.5. The various Subcommittees may have overlapping membership and the Parties will attempt to time meetings of the JSC and the various Subcommittees to maximize productivity of the members and minimize costs associated therewith.

Article 3

**PRODUCT DEVELOPMENT**

3.1 Development Plan. Promptly after the execution of this Agreement, on a Collaboration Product-by-Collaboration Product basis, Pieris and Stelis BioPharma shall jointly prepare a mutually-agreed written work plan for any Collaboration Product(s) that sets out in reasonable detail the development activities to be conducted by each Party and its designees [\*\*\*] for any Collaboration Product(s), as well as the location, protocol, budget and timelines for completion of various tasks therefor (each, a "Development Plan"); provided, however, that the Development Plan for Product 1 shall be in accordance with the framework plan set forth in Exhibit I. Each Development Plan shall be subject to the JSC's approval. Upon the JSC's approval of a Development Plan, such Development Plan shall be signed by a duly authorized representative from each Party and attached hereto as a part of this Agreement. For the avoidance of doubt, neither Party shall have any obligation with respect to any activity except as set forth in a Development Plan; provided, however, that unless and until the Parties sign a Development Plan, the Parties shall use good faith efforts to prepare and agree on the Development Plan for Product 1 with respect to activities beyond those referred to in Exhibit I within [\*\*\*] days from the Effective Date. Each Development Plan will be updated and approved semi-annually by the JSC and shall be consistent with the general allocation of responsibilities described in Article 3.2 below. Without limiting the foregoing, any material modifications or additions to any Development Plan shall be first approved by JSC prior to its implementation. Each Party shall perform its obligations allocated to it under each Development Plan in accordance with the terms and conditions of this Agreement (including the diligence requirement set forth in Article 9), the applicable Development Plan and all Applicable Laws.

3.2 General Allocation of Responsibilities.

3.2.1 To Pieris. As further provided in the applicable Development Plan, with respect to each Collaboration Product, Pieris shall be responsible for and shall bear the expenses of: transferring all material, in Pieris' possession, pertaining to the Collaboration Product, including, but not limited to, [\*\*\*], provided that [\*\*\*].

3.2.2 To Stelis BioPharma. As further provided in the applicable Development Plan, with respect to each Collaboration Product, Stelis BioPharma shall be responsible for and shall bear the expenses of: [\*\*\*];

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3.3 **Development Costs.** As between the Parties, each Party shall bear all of the costs and expenses incurred in connection with any of the activities allocated to such Party under this Agreement and each applicable Development Plan, including fees charged and costs and expenses incurred by subcontractor(s) of said Party in connection with the respective Party's responsibilities hereunder this Agreement.

3.4 **Subcontractors.** Except as set forth in the applicable Development Plan, neither Party may subcontract or otherwise delegate all or any portion of its obligations under this Agreement (including substituting or adding manufacturing or contract research facilities of a Third Party) without JSC's prior written approval. When considering a subcontractor, a Party will advise the JSC, which will establish an audit team comprised of members from each Party to audit or review such subcontractor to ensure that the subcontractor meets the qualifications necessary and has complied with Applicable Laws with respect to the subcontracting activities for which such subcontractor is being considered. To the extent such approval is granted, the subcontracting Party shall (a) ensure that each such subcontractor has and maintains all appropriate qualifications and complies with Applicable Laws and that the other Party or its designee has the right to participate in and approve such qualification process; (b) ensure that all such approved subcontractors comply with the provisions of this Agreement; and (c) be responsible for each such subcontractor's performance hereunder (including, without limitation, any breach of this Agreement by such subcontractor), as if such subcontracting Party were itself performing such activities. For clarity, each Party may exercise its rights or perform its obligations under this Agreement through one or more of its Affiliates; provided that each Party shall ensure that each such Affiliate complies with the provisions of this Agreement and be responsible for each such Affiliate's performance hereunder (including, without limitation, any breach of this Agreement).

3.5 **Protocols.** All protocols for any pre-clinical studies or clinical trials to be performed with respect to each Collaboration Product shall be developed by the relevant Subcommittee, in consultation with those relevant scientific/technical representatives from each Party, and submitted to the JSC for its review and approval. Further, any material modification to any such protocol shall subject to the review and approval of the JSC.

3.6 **Information Sharing.** On an annual basis or as the JSC otherwise determines, during the Term, and without limiting Article 2.4.2, each Party shall provide to the other Party the documentation, reports and other data from or relating to any completed or ongoing development activities and the results thereof such as Results (and summaries of any results in English if such documentation and materials are not provided in English) controlled by such Party relating to each Collaboration Product (including documentation relating to Regulatory Filings and Regulatory Approvals, original source data, reports, case report forms (CRFs) and summary literature). Each Party shall have the right to use, and disclose (provided that if such information is the Confidential Information of the other Party, such disclosure shall be subject to confidentiality obligations as set forth in Article 9 of this Agreement) such information to the extent necessary to exercise its rights and fulfill its obligations hereunder.

3.7 **Exclusivity of Efforts.** On a [\*\*\*] basis, during the Term, for the applicable Collaboration Product, each Party agrees that, except for its obligations hereunder, neither it nor any of its Affiliates or Sublicensees shall develop, manufacture, supply or commercialize any Collaboration Product(s) in the Field, or assist any Third Party to perform any such activities with respect to any Collaboration Product(s) in the Field. In addition, [\*\*\*].

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3.8 Optional JVA. [\*\*\*], and as soon as practicable after the execution of this Agreement, the Parties may discuss and negotiate a JVA, with respect to such Collaboration Product, in the form as substantially set out in Exhibit III of this Agreement. Once the Parties agree to form the JVC, the Parties will mutually agree on and select [\*\*\*]. The Parties agree to amend the JVA template, when necessary, promptly after the selection of the JVC Venue, to (i) [\*\*\*], (ii) [\*\*\*], (iii) [\*\*\*]; (iv) [\*\*\*]; and (v) [\*\*\*].

3.9 Collaboration Product Transfer to the JVC. On a [\*\*\*] basis, reasonably in advance [\*\*\*], the Parties shall, through the JSC, discuss and develop a detailed development plan and budget setting forth in reasonable detail the activities to be conducted by the JVC for the further development and commercialization of such Collaboration Product and associated budget and timelines, including the strategy for conducting Clinical Trials for such Collaboration Product, the location for such trials, the contract research organizations to conduct such trials and the budget therefor, as well as the launch strategy for such Collaboration Product and budget therefor (each, a “Plan and Budget”). [\*\*\*], after the Parties enter into the JVA and after the JVC’s receipt of all necessary Technology Transfer Documents (TTD), Consents, business licenses, permits and Regulatory Approvals, and further contingent upon the Parties’ agreement on the applicable Plan and Budget and the JVC board of directors’ ratification thereof, such Collaboration Product and all associated data, rights and assets will be transferred to the JVC, and the JVC will continue the development and commercialization of such Collaboration Product in accordance with the applicable Plan and Budget as further provided in the JVA.

3.10 Development and Commercialization in the absence of the JVA. If a Party does not wish to enter into the JVA pursuant to Article 3.8 with respect to a Collaboration Product, then it shall provide a written notice, accordingly, to the other Party, within [\*\*\*] (“**Non-Continuation Notice**”), in which case the other Party shall have the option to continue development and commercialization of such Collaboration Product in accordance with terms and conditions set forth in Exhibit II, which option shall be exercisable within [\*\*\*] days after receipt of the Non-Continuation Notice, and a license agreement consistent with such terms and conditions shall be timely agreed upon between the Parties, comprising a transfer of all Regulatory Approvals obtained or maintained under this Agreement with respect to such Collaboration Product (together with all relevant Regulatory Filings and correspondence with Regulatory Authorities) as well as all Technology Transfer Documents (TTD) pertinent to such Collaboration Product to the continuing Party when applicable. If [\*\*\*], then [\*\*\*].

3.11 Additional Product(s).

3.11.1 The Parties may name Additional Product(s) by mutual agreement and agree on the respective Field(s) and the financial rights and obligations for the development of such Additional Product(s). After such nomination, the Parties will use good faith efforts to prepare and agree on a Development Plan in accordance with Article 3.1 for each Additional Product. For clarity, [\*\*\*].

3.11.2 The Parties shall [\*\*\*] nominate one Additional Product within [\*\*\*] months after the Effective Date, taking into consideration the provisions of Section 3.11.1.

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Article 4

PIERIS DELIVERABLES

4.1 Delivery and Restrictions.

4.1.1 Delivery. With respect to each Collaboration Product, promptly after Pieris has established (if at all) (a) [\*\*\*], (b) [\*\*\*] and (c) [\*\*\*] for such Collaboration Product, Pieris shall deliver to Stelis BioPharma [\*\*\*] for the production of such Collaboration Product (all such deliverables together with all modifications or derivatives thereof, based in whole or part on the Pieris Technology, hereafter collectively referred to as the “Pieris Materials and Deliverables”); provided, however, that with respect to Product 1, Pieris is only obliged to deliver (a), (b) and (c) as established as of the Effective Date. Pieris Materials and Deliverables shall be and remain the sole and exclusive property of Pieris; and the physical possession of such Pieris Materials and Deliverables by Stelis BioPharma shall not be (nor be construed as) deemed as a sale, lease, offer to sell or lease, or other transfer of title of such materials to Stelis BioPharma. Except as expressly provided in this Agreement, no licenses or rights shall be deemed as granted to Stelis BioPharma, by implication, estoppel or otherwise, by the transfer of physical possession of any such Pieris Materials and Deliverables to Stelis BioPharma.

4.1.2 Limitations on Use and Transfer. Stelis BioPharma shall not use the Pieris Materials and Deliverables for any purpose other than for the performance of its obligations under this Agreement. Except as otherwise authorized by Pieris in writing, Stelis BioPharma shall not provide the Pieris Materials and Deliverables to any Person other than to approved subcontractors pursuant to Article 3.4 or those employees of Stelis BioPharma who require access to the Pieris Materials and Deliverables, in each case for the performance of the activities allocated to Stelis BioPharma under any Development Plan. Stelis BioPharma shall only use the Pieris Materials and Deliverables in compliance with all Applicable Laws.

4.1.3 No Modification or Derivation. Except as (a) expressly set forth in the applicable Development Plan, (b) appropriate to further the purposes of this Agreement, and/or (c) allowed with Pieris’ prior written consent, Stelis BioPharma shall not attempt to alter or modify the Pieris Materials and Deliverables in any way, or to make any derivatives or modifications thereof and shall not, under any circumstances, attempt, directly or indirectly, to analyze, characterize, reverse engineer or otherwise derive the sequences, or constructs of the Pieris Materials and Deliverables.

4.1.4 Care in Use of the Pieris Materials and Deliverables. Stelis BioPharma acknowledges that the Pieris Materials and Deliverables are experimental in nature and may have unknown characteristics and therefore agrees to use prudence and all reasonable care in the use, handling, storage, containment, transportation and

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disposition of the Pieris Materials and Deliverables. Pieris will provide Stelis BioPharma with all information in Pieris' possession with respect to the handling of the Pieris Materials.

4.2 **Warranties Regarding Pieris Materials and Deliverables.** Pieris hereby represents and warrants to Stelis BioPharma that (a) Pieris owns or has rights to the Pieris Materials and Deliverables; (b) Pieris has the right to provide the Pieris Materials and Deliverables to Stelis BioPharma for use in accordance with this Agreement and (c) the Pieris Materials and Deliverables meet the written Specifications therefor as set forth in the applicable Development Plan(s) at the time of delivery to Stelis BioPharma.

4.3 **Acknowledgement.** Stelis BioPharma acknowledges that the use or modification of the Pieris Materials and Deliverables other than as permitted under this Agreement could cause irreparable damage to Pieris. As such, Stelis BioPharma agrees that: (a) any breach of this Article 4 shall be considered a material breach of this Agreement; (b) Stelis BioPharma hereby assigns to Pieris all right, title and interest in and to any invention arising from an impermissible modification or use of the Pieris Materials and Deliverables as well as any patent or patent application that contains, discloses or claims any invention arising from an impermissible modification or use of the Pieris Materials and Deliverables, and (c) the remedies set forth in (a) and (b) of this Article 4.3 shall not prejudice Pieris' right to pursue any legal or equitable remedy available to Pieris for any violations of this Article 4. Pieris undertakes that it shall not declare a permitted use or permitted modification as impermissible after having knowledge of such use or modification by Stelis BioPharma and not objecting in writing within a reasonable period of time thereafter.

Article 5

**MANUFACTURING OF COLLABORATION PRODUCTS**

5.1 **General.** As between the Parties, Stelis BioPharma shall be solely responsible for manufacturing any Collaboration Product(s) for [\*\*\*] at its own costs in the Facilities. All Drug Products or IMPs of Collaboration Product(s) supplied by Stelis BioPharma hereunder for use in any Pre-clinical studies and Clinical Trials shall meet the applicable Specifications therefor and shall be manufactured at the Facility in accordance with [\*\*\*] and all Applicable Laws (including GMP). Stelis BioPharma shall perform quality control procedures reasonably necessary to ensure that any Drug Product or IMP of Collaboration Product(s) for use in any pre-clinical studies and/or clinical trials conform fully to the applicable Specifications.

5.2 **Changes.** Once established at Stelis BioPharma, neither Party shall make any changes to the [\*\*\*], Specifications, [\*\*\*], Facility, Raw Materials or any other item in any manner that would reasonably cause any Drug Product or IMP of a Collaboration Product for use in any clinical studies not to comply with the Specifications therefor or Applicable Laws, without the JSC's prior written approval. If either Party desires any such change, it may request such change through the JSC. All such changes shall be documented in a writing signed by an authorized representative of each of Pieris and Stelis BioPharma.

5.3 **Deviations.** Without limiting Article 5.2 above, in the event any material deviations occur during the course of the manufacture of any batch of any Drug Product or IMP of a

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Collaboration Product for use in any clinical studies under this Agreement, Stelis BioPharma shall immediately provide the JSC with a detailed written description of such deviation. In addition, Stelis BioPharma shall undertake all reasonable and appropriate actions to investigate the cause of such deviation and to correct the same, both at its own costs.

5.4 [\*\*\*]:

5.4.1 Collaboration Product. All Drug Products or IMPs of Collaboration Product(s) supplied by Stelis BioPharma hereunder shall comply with all Applicable Laws, GMPs and meet all Specifications, and Stelis BioPharma shall perform and document all manufacturing and supply activities contemplated herein in compliance with all Applicable Laws. [\*\*\*].

5.4.2 Facilities and Equipment. The Facility(ies), all equipment used for the manufacture of each Collaboration Product within the Facility(ies) and the activities contemplated herein complies with all Applicable Laws and Stelis BioPharma shall obtain and maintain all Consents including governmental registrations, permits, licenses and approvals necessary for Stelis BioPharma to manufacture Drug Product(s) or IMP(s) of each Collaboration Product, and otherwise to perform its obligations, under this Agreement.

5.5 Manufacturing Records. Stelis BioPharma shall generate and maintain complete and accurate records and samples as necessary to evidence compliance with this Agreement and all Applicable Laws and other requirements of applicable governmental authorities relating to the manufacture of Drug Product(s) or IMP(s) of each Collaboration Product, including validation data, stability testing data, certificates of analysis, certificates of origin of all raw materials, batch and lot records, quality control and laboratory testing, and any other data required by Applicable Laws. All such records and samples shall be maintained for such periods as may be required by Applicable Law. Upon request by Pieris, Stelis BioPharma shall provide Pieris (or its designee) reasonable access to, and copies and portions of, such records and samples, including all batch and lot records, and any supporting data relating thereto, including written investigations of any deviations that may have been generated from manufacturing, packaging, inspection, or testing processes.

5.6 Inspection. During the Term and such longer period required by Applicable Laws, upon at least [\*\*\*] days advance notice and at reasonable frequency, Pieris shall have the right to inspect and audit, at its own costs, [\*\*\*] per [\*\*\*] during regular business hours: (a) any Facility or any other location at which any of the manufacturing, processing or other activities relating to any Collaboration Product are performed hereunder; and (b) any of the manufacturing and quality control records and all other documentation relating to the manufacturing, processing and other activities with respect to any Collaboration Product (including any internal quality control audits or reviews. Such inspections and audits shall be for the purpose of ascertaining compliance with Applicable Laws, the Specifications and other aspects of this Agreement, reviewing correspondence, reports, filings and other documents from or to Regulatory Authorities to the extent related to the manufacturing, processing and other activities hereunder, approving, where appropriate, all variances from applicable requirements hereunder, and evaluating the implementation of all manufacturing and process changes pursuant to this

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Agreement. In performing any such audit or inspection, employees or consultants of Pieris shall: (i) not unreasonably interfere with other activities of Stelis BioPharma being carried out at the location at which such audit or inspection is taking place; and (ii) observe all rules and regulations applicable to visitors and to individuals employed at the Facility which have been communicated by Stelis BioPharma to Pieris in writing. Any information obtained by Pieris through such inspections and audits shall be treated as Confidential Information of Stelis BioPharma in accordance with Article 9 below.

5.7 [\*\*\*]. Stelis BioPharma will [\*\*\*].

Article 6  
**REGULATORY MATTERS**

6.1 **General**. As between the Parties, Stelis BioPharma shall be solely responsible for Regulatory Filings, obtaining and maintaining all necessary Regulatory Approvals for the initiation and performance of the pre-clinical studies [\*\*\*] and [\*\*\*]. As between the Parties, Stelis BioPharma shall assume all responsibilities of sponsors and investigators under Applicable Laws for the pre-clinical studies [\*\*\*]. Upon the transfer of any Collaboration Product to the JVC as provided in Articles 2.3.6 and 3.9, Stelis BioPharma shall assign and deliver, or cause to be assigned and delivered, to the JVC, and the JVC shall assume control of, all Regulatory Filings and approvals (including Regulatory Approvals) and all communications with the applicable Regulatory Authorities with respect thereto obtained and maintained by Stelis BioPharma or its Affiliate in connection with the development of such Collaboration Product(s).

6.2 **Meetings with Regulatory Authorities**. Stelis BioPharma shall timely inform Pieris as soon as reasonably practicable of any meetings scheduled with any Regulatory Authority concerning any Collaboration Product. As reasonably requested in a timely manner, Stelis BioPharma shall allow representatives from Pieris to participate in such meetings with any Regulatory Authority. Stelis BioPharma shall timely inform Pieris as soon as reasonably practicable of the outcome of any meetings with any Regulatory Authority concerning such Collaboration Product.

6.3 **Regulatory Filings**. Reasonably in advance of the submission of any Regulatory Filing or material correspondence with applicable Regulatory Authorities for any Collaboration Product, Stelis BioPharma shall provide a copy of such document to Pieris for its review and shall incorporate any reasonable comments and suggestions provided by Pieris with respect thereto. Stelis BioPharma shall make available, directly, or through the JSC, copies of any Regulatory Filing or correspondence with applicable Regulatory Authorities for any Collaboration Product promptly after such Regulatory Filing or correspondence has been submitted to the applicable Regulatory Authority.

6.4 **Regulatory Actions**. Stelis BioPharma shall permit all applicable Regulatory Authorities to conduct such inspections of the Facility or any other location at which any of the manufacturing or development activities (including pre-clinical or clinical studies) relating to any Collaboration Product are performed, as such Regulatory Authorities may request in accordance with Applicable Laws and shall cooperate with such Regulatory Authorities with respect to such inspections and any related matters. Stelis BioPharma shall give Pieris prompt written notice of

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any such inspections, and shall keep Pieris informed about the results and conclusions of each such regulatory inspection, including actions taken by Stelis BioPharma to remedy conditions cited in such inspections. In addition, Stelis BioPharma shall allow Pieris or its representative to assist in the preparation for and be present at such inspections for which it has advanced notice. Stelis BioPharma shall provide Pieris with copies of any written inspection reports issued by any Regulatory Authority and all correspondence between Stelis BioPharma and any Regulatory Authority with respect thereto. Additionally, Stelis BioPharma agrees to promptly notify and provide Pieris copies of any request, directive or other communication of the applicable Regulatory Authority relating to or otherwise that may affect any Collaboration Product or its manufacture or development. Prior to responding to any reports, requests, directive or other communications issued by any Regulatory Authority relating to or otherwise that may affect any Collaboration Product or its manufacture or development, Stelis BioPharma shall provide Pieris a copy of its proposed response for Pieris' review and comments and Stelis BioPharma shall include any reasonable comments or recommendations provided by Pieris with respect thereto prior to submitting such response to the applicable Regulatory Authority. Stelis BioPharma shall provide Pieris a copy of its final response contemporaneously with submitting the response to the Regulatory Authority.

Article 7

**RECORDS AND INSPECTIONS**

7.1 **Record Keeping.** Without limiting any other specific record-keeping obligations set forth in this Agreement or any Development Plan, each Party shall generate and maintain, during the Term and such longer period required by Applicable Laws, complete and accurate records related to its performance of its obligations under each Development Plan as necessary to evidence compliance with this Agreement and all Applicable Laws. Upon the transfer of any Collaboration Product to the JVC as provided in Articles 2.3.6 and 3.9, each Party shall deliver, or cause to be delivered, to the JVC all records (or copies thereof) kept by such Party in accordance with this Article 7.1.

7.2 **Inspection.** Without limiting any other specific inspection provisions in this Agreement or any Development Plan, during the Term and such longer period required by Applicable Laws, at least [\*\*\*] business days advance notice by a Party and at reasonable frequency, such Party shall have the right to inspect and audit, during regular business hours, the records kept by the other Party pursuant to Article 7.1. Such inspections and audits shall be for the purpose of ascertaining compliance with this Agreement and Applicable Laws. Any information obtained by the auditing Party through such inspections and audits shall be treated as Confidential Information of the audited Party in accordance with Article 9 below.

Article 8

**DILIGENCE**

Each Party will use good faith and Commercially Reasonable Efforts, with respect to each objective set forth in this Agreement or otherwise assigned to such Party under any Development Plan, to accomplish such objective including within the corresponding timelines.

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Article 9

**CONFIDENTIALITY**

9.1 **Confidential Information.** The Parties may from time to time disclose to each other Confidential Information. “**Confidential Information**” means any information disclosed by one Party to the other Party hereto, which (i) if disclosed in tangible form is marked “confidential” or with other similar designation to indicate its confidential or proprietary nature, (ii) if disclosed orally, is identified as confidential or proprietary by the Party disclosing such information at the time of its initial disclosure and is confirmed in writing as confidential or proprietary by the disclosing Party within forty five (45) days after such initial disclosure, or (iii) is reasonably expected to be treated in a confidential manner based on the nature of such information and the circumstances of its disclosure. For clarity, the terms of this Agreement and all Results shall be deemed Confidential Information of both Parties. Notwithstanding the foregoing or anything herein to the contrary, a receiving Party’s obligations under this Article 9 shall not apply to any information that, in each case as demonstrated by written documentation: (a) was already known to the receiving Party, other than under an obligation of confidentiality, at the time of disclosure; (b) was generally available to the public or otherwise part of the public domain at the time of its disclosure to the receiving Party; (c) became generally available to the public or otherwise part of the public domain after its disclosure and other than through any act or omission of the receiving Party in breach of this Agreement; (d) was subsequently lawfully disclosed to the receiving Party by a Person other than the disclosing Party; or (e) was independently developed by the receiving Party without use of or reference to or benefit of any Confidential Information of the disclosing Party.

9.2 **Confidentiality.** During the Term of this Agreement and for [\*\*\*] years thereafter without regard to the means of termination (or if the JVA is entered into, then such longer period as required by the JVA), neither Party shall use, for any purpose other than the purposes set out this Agreement (including (i) in connection with the performance of its obligations or exercise of rights granted to such Party in this Agreement and (ii) to the extent such disclosure is reasonably necessary in filing for, prosecuting or maintenance of patents and other intellectual property rights (including applications therefor) in accordance with this Agreement, due diligence exercise for any transaction in connection with the development of any Collaboration Product in accordance with this Agreement, prosecuting or defending litigation, complying with applicable governmental regulations, filing for, conducting preclinical or clinical trials, obtaining and maintaining regulatory approvals, or otherwise required by Applicable Laws or the rules of a recognized stock exchange), reveal or disclose to any Third Party, other than one Party’s employees involved in the performance of this Agreement or subcontractors approved under Article 3.4, advisors, consultants, attorneys, investors, prospective investors, acquirers, prospective acquirers, investment bankers, lenders, acquirers lenders or their respective advisors and attorneys who agree to be bound by confidentiality terms substantially similar to this Article 9, Confidential Information and materials disclosed by the other Party (whether prior to or during the Term of this Agreement) without first obtaining the written consent of the other Party. The Parties agree to take all necessary steps to ensure that Confidential Information is securely maintained and to inform those who are authorized to receive such Confidential Information of their obligations under this Agreement and subject to written non-disclosure, non-use requirements consistent with this Article 9. Upon the termination or expiration of this Agreement for any reason (unless the JVA is entered into, then as required in the JVA), the receiving Party

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promptly shall, upon request by the disclosing Party, return all such Confidential Information, and any copies or reproductions thereof, to the disclosing Party and agrees to make no further use of such Confidential Information, except it may retain one copy thereof solely for use in complying with any record keeping and other obligations within such Party's jurisdiction.

9.3 **Reasonable Precautions.** The Parties shall take all reasonable precautions to prevent the use or disclosure of such Confidential Information of the other Party without first obtaining the written consent of the other Party, except in accordance with Article 9.2.

9.4 **Publicity Review.**

9.4.1 **Press Releases and Public Announcements.** Neither Party shall issue any press release or other publicity materials, or make any public presentation with respect to this Agreement, the terms or conditions of this Agreement, or any Results without the prior written consent of the other Party (such consent not to be unreasonably withheld, conditioned or delayed). The restrictions provided in this Article 9.4.1 shall not apply to disclosures required by Applicable Law, including as may be required in connection with any filings made with the Securities and Exchange Commission or similar non-U.S. regulatory authority, or by the disclosure policies of a major stock exchange; provided that each Party shall use good faith efforts to provide any such disclosure at least [\*\*\*] days prior to such disclosure (to the extent practicable) for the other Party's review and comment.

9.4.2 **Use of Names.** Neither Party shall utilize the name or trademarks of the other Party or make any disclosures concerning this Agreement, without the other Party's prior written consent, provided that such use or disclosure shall be permitted if required by Applicable Laws and the Party making such use or disclosure consults with the other Party to the extent practicable not less than [\*\*\*] days prior the use or disclosure.

9.5 **Prior Agreement.** This Agreement supersedes the terms and conditions of the Confidentiality Agreement between the Parties dated August 6<sup>th</sup>, 2012 ("**Prior Confidentiality Agreement**") with respect to information disclosed thereunder. All information exchanged between the Parties under such Prior Confidentiality Agreement shall be deemed Confidential Information of the disclosing Party and shall be subject to the terms of this Article 9.

Article 10

**INTELLECTUAL PROPERTY AND LICENSE**

10.1 **Background Technology and Acquired IP.** Except for the limited licenses granted under Article 10.2 below, as between the Parties, each Party retains full right, title and interest in and to its Background Technology and Acquired IP. Unless otherwise expressly set forth in this Agreement, each Party shall be fully responsible for obtaining and maintaining, at its own expense, ownership of or appropriate license to any technologies (and intellectual property rights therein) that are necessary for its performance of its obligations under each Development Plan. Without limiting the generality of the foregoing, both Parties shall be responsible for developing or acquiring (including licensing or acquiring rights or assets from any Third Party), subject to the oversight and consent of the JSC, any Third Party Proprietary Technology [\*\*\*] that may be necessary for the development of a Collaboration Product, as provided in the applicable

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Development Plan. Both Parties shall share all licensing costs associated with the development or acquisition of any such Third Party Proprietary Technology, except that any royalty, payable to a Third Party upon the sale of any Collaboration Product(s) in which such Third Party Proprietary Technology are implicated or incorporated, shall be borne by the JVC, or in the event if the JVC does not exist at the time of sale of the Collaboration Product(s), then such cost-sharing shall be discussed in good faith by both Parties herein in accordance with the provisions of Article 3.10 and Exhibit II hereof.

## 10.2 License Grant

10.2.1 License to Stelis BioPharma. Pieris hereby grants to Stelis BioPharma (i) a [\*\*\*] license, in the Field, during the Term, under Pieris' Background Technology and Acquired IP, any Collaboration Technology solely owned by Pieris pursuant to this Article 10 such as Pieris Improvements, and Pieris' interests in any Collaboration Technology jointly owned by the Parties pursuant to this Article 10, together with all intellectual property rights therein, with the right to grant sublicenses to subcontractors approved under Article 3.4, solely to the extent necessary for Stelis BioPharma to perform the activities allocated to it under this Agreement and the applicable Development Plan, and (ii) a [\*\*\*] license under any Collaboration Technology solely owned by Pieris pursuant to this Article 10 and Pieris' interests in any Collaboration Technology jointly owned by the Parties pursuant to this Article 10, together with all intellectual property rights therein, with the right to grant sublicenses, to exploit Stelis BioPharma's know-how and intellectual property available at Stelis BioPharma before the Effective Date in a manner consistent with the terms and conditions of this Agreement.

10.2.2 License to Pieris. Stelis BioPharma hereby grants to Pieris (i) a [\*\*\*] license, in the Field, during the Term, under Stelis BioPharma's Background Technology and Acquired IP, any Collaboration Technology solely owned by Stelis BioPharma pursuant to this Article 10 such as Stelis BioPharma Improvements, and Stelis BioPharma's interests in any Collaboration Technology jointly owned by the Parties pursuant to this Article 10, together with all intellectual property rights therein, with the right to grant sublicenses to subcontractors approved under Article 3.4, solely to the extent necessary for Pieris to perform the activities allocated to it under this Agreement and the applicable Development Plan, and (ii) a [\*\*\*] license under any Collaboration Technology solely owned by Pieris pursuant to this Article 10 and Stelis BioPharma's interests in any Collaboration Technology jointly owned by the Parties pursuant to this Article 10, together with all intellectual property rights therein, with the right to grant sublicenses, to exploit Pieris' know-how and intellectual property available at Pieris before the Effective Date in a manner consistent with the terms and conditions of this Agreement.

10.2.3 The rights described in the preceding paragraphs of this Article 10.2 are referred as the "License" hereunder this Agreement. Pieris shall not exploit or sublicense any patents in any manner that would conflict with License. Stelis BioPharma shall not exploit or sublicense any patents in any manner that would conflict with License.

10.2.4 No Other Right. All rights and licenses granted under this Agreement are limited to the scope expressly granted. Accordingly, except for the rights expressly granted under this Agreement, no right, title, or interest of any nature whatsoever is granted whether by implication, estoppel, reliance, or otherwise, by either Party to the other Party.

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10.3 Collaboration Technology. Except as provided in Articles 10.4 and 10.5 and subject to Article 10.6, as between the Parties all right, title and interest to inventions and other subject matter (together with all intellectual property rights therein) conceived or created or first reduced to practice in connection with the exercise of rights or performance of obligations under this Agreement (collectively, "Collaboration Technology") (i) by or under the authority of Pieris or its Affiliates, independently of Stelis BioPharma and its Affiliates, shall be owned by Pieris, (ii) by or under the authority of Stelis BioPharma or its Affiliates, independently of Pieris and its Affiliates, shall be owned by Stelis BioPharma, and (iii) by personnel of Pieris or its Affiliates and Stelis BioPharma or its Affiliates shall be jointly owned by Pieris and Stelis BioPharma. Except as expressly provided otherwise in this Agreement, neither Party shall have any obligation to obtain any approval of the other Party for, nor pay the other Party any share of the proceeds from or otherwise account to the other Party for, the practice, enforcement, licensing, assignment or other exploitation of such jointly owned Collaboration Technology, and each Party hereby waives any right it may have under the Applicable Laws of any country to require such approval, sharing or accounting. Except as otherwise expressly provided hereunder, the Party that owns any particular Collaboration Technology shall, as between the Parties, have the sole and exclusive right to control the filing for, prosecution, maintenance and enforcement of any intellectual property rights therein in its sole discretion and any jointly owned Collaboration Technology will be prosecuted, maintained and enforced as determined by the intellectual property Subcommittee in accordance with the procedures set forth in Article 2.

10.4 Pieris Improvements. Notwithstanding Article 10.3 above, all Pieris Improvements will be the sole and exclusive property of Pieris, and Stelis BioPharma hereby assigns to Pieris all Pieris Improvements. Stelis BioPharma will promptly disclose to Pieris any and all Pieris Improvements and take such other reasonable actions at Pieris' request and expense to effectuate such assignment. As used herein, "Pieris Improvements" means: (i) [\*\*\*] as well as (ii) [\*\*\*]; provided however, which (i) and (ii) [\*\*\*].

10.5 Stelis BioPharma Improvements. Notwithstanding Article 10.3 above, all Stelis BioPharma Improvements will be the sole and exclusive property of Stelis BioPharma. As used herein, "Stelis BioPharma Improvements" means [\*\*\*].

10.6 Assignment to JVC. Upon the transfer of any Collaboration Product to the JVC pursuant to Articles 2.3.6 and 3.9, each Party shall assign, or cause to be assigned, to the JVC, all of its right, title and interest in and to any Collaboration Technology (but excluding any Pieris Improvement) arising from the performance of the applicable Development Plan and the JVC shall have the sole and exclusive right to control the filing for, prosecution, maintenance and enforcement of any intellectual property rights in such Collaboration Technology in its sole discretion. Each Party shall grant to the JVC appropriate licenses to its Background Technology and Acquired IP to enable the JVC to exclusively develop and commercialize said Collaboration Product in the Field.

10.7 Disclosure and Cooperation. Each Party shall promptly disclose to the other Party any Collaboration Technology generated hereunder. The Parties shall at all times fully cooperate in

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order to reasonably implement the provisions of this Article 10. Such cooperation may include the execution of necessary legal documents, coordinating prosecution to avoid or mitigate any patentability issues, and the provision of any other assistance reasonably requested by the other Party at such other Party's expenses.

**10.8 Prosecution of Intellectual Property Rights.**

- a) Pieris shall, at its own cost and expense and within its sole discretion, file, maintain and prosecute in the Territory, the patents claiming (i) Pieris' Background Technology and Acquired IP and (ii) any Collaboration Technology solely owned by Pieris pursuant to this Article 10 such as Pieris Improvements.
- b) Stelis BioPharma shall, at its own cost and expense and within its sole discretion, file, maintain and prosecute in the Territory, the patents claiming (i) Stelis BioPharma's Background Technology and Acquired IP and (ii) any Collaboration Technology solely owned by Stelis BioPharma pursuant to this Article 10 such as Stelis BioPharma Improvements.
- c) Notwithstanding foregoing Articles 10(8)(a) and (b), for the patents claiming any Collaboration Technology solely owned by one Party pursuant to this Article 10 such as Pieris Improvements or Stelis BioPharma Improvements, if either Party (the "Ceasing Party") wishes (i) not to file a patent application in any one of the following jurisdictions: [\*\*\*], (ii) abandon any such patent application or (iii) not to maintain any such Patent in any one of said jurisdictions, it shall give prior written notice to the other Party at [\*\*\*] days before any relevant deadline, then the other Party has the right, exercisable within [\*\*\*] exercisable within [\*\*\*] days of such notice, to take an assignment of the patent application or patent and, at its own expense, control the further prosecution the patent application or maintenance of such Patent. In the event such right is exercised by the other Party, the Ceasing Party shall effectuate said assignment and provide to the other Party all information necessary for the further prosecution or maintenance. For the avoidance of doubt, any such Patent is part of the other Party's Acquired IP.
- d) With respect to the filing, maintaining and prosecution of patents claiming any Collaboration Technology jointly owned by the Parties pursuant to this Article 10, before any action taken by either Party, the Parties will confer first and try to agree on a strategy for drafting and/or prosecuting the respective patent application. In this regard, each of Stelis BioPharma and Pieris shall keep the other Party fully informed as to the status of preparation, prosecution and maintenance of the respective patent application or patent, including, without limitation, (x) providing the other Party the opportunity to fully review and comment on (i) any patent application at least [\*\*\*] days of the respective filing date and on (ii) any documents which will be filed in any patent office at least [\*\*\*] days of any relevant deadline, and (y) providing the other copies of any substantive documents that such Party receives from such patent office at least [\*\*\*] days after receipt, including notice of all interferences, reissues, re-examinations, oppositions or requests for patent term extensions. The other Party shall provide feedback at least [\*\*\*] days of the respective filing date or the relevant deadline. If the Parties could not agree on such a strategy in good faith upon [\*\*\*] days of the relevant deadline; provided, however, that, if

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either Party wishes to keep any Collaboration Technology jointly owned by the Parties pursuant to this Article 11 as trade secret before the filing of the respective patent application, the other Party will keep such Collaboration Technology in confidence in accordance with Article 9. Stelis BioPharma and Pieris shall reasonably cooperate with and assist each other at their own respective expense in connection with activities referred under this Article 10.8(d), at the other Party's request.

Article 11

**TERM AND TERMINATION**

11.1 **Term.** The term of this Agreement shall commence on the Effective Date and shall continue on a [\*\*\*] basis until (i) [\*\*\*], (ii) [\*\*\*], or (iii) [\*\*\*], whichever is later in time ("Term"); provided, however, that the Term [\*\*\*] shall [\*\*\*].

11.2 **Termination for Material Breach.** If either Party materially breaches this Agreement, the non-breaching Party shall have the right to terminate this Agreement, with respect to any Collaboration Product that is subject to such material breach, by written notice to the breaching Party specifying the breach and referencing this Article 11.2, if such breach is not cured within [\*\*\*] days after written notice is given by the non-breaching Party to the breaching Party specifying the breach; provided, however, that in the event of a good faith dispute with respect to the existence of a material breach, this Agreement or the applicable Development Plan shall not be terminated, unless it is finally determined pursuant to Article 14.10 that such material breach has occurred, and the breaching Party fails to cure such breach within [\*\*\*] days after such determination.

11.3 **Termination for Insolvency.** Each Party shall have the right to terminate this Agreement in its entirety upon delivery of written notice to the other Party in the event that (i) such other Party files in any court or agency pursuant to any statute or regulation of any jurisdiction a petition in bankruptcy or insolvency or for reorganization or similar arrangement for the benefit of creditors or for the appointment of a receiver or trustee of such other Party or its assets, (ii) such other Party is served with an involuntary petition against it in any insolvency proceeding and such involuntary petition has not been stayed or dismissed within [\*\*\*] days of its filing, or (iii) such other Party makes an assignment of substantially all of its assets for the benefit of its creditors in the absence of a legitimate business transaction.

11.4 **Effects of Expiration or Termination.**

11.4.1 Expiration or termination of this Agreement (in its entirety or with respect to any Collaboration Product) for any reason shall not release either Party of any obligation or liability which, at the time of such expiration or termination, has already accrued to such Party or which is attributable to a period prior to such expiration or termination.

11.4.2 **Intellectual Property Rights and License.**

a. In the event of expiration or termination of this Agreement as a result of that neither Party wishes to enter into the JVA pursuant to Article 3.8, unless otherwise stipulated by the Parties in a separate agreement after the Effective Date, all rights and licenses to any

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technology and intellectual property rights therein granted by either Party to the other Party (such as the License), under this Agreement or with respect to the applicable terminated Collaboration Product, as applicable, shall terminate and revert back to the Party granting such rights or licenses; provided, however, that licenses granted under Articles 10.2.1(ii) and 10.2.2(ii) shall survive the expiration or termination.

b. In the event of termination by Pieris pursuant to Article 11.2 or Article 11.3, Pieris shall retain and/or have the exclusive rights, with respect to any Collaboration Product that is subject to such material breach under Article 11.2 or with respect to all Collaboration Products when Stelis BioPharma is insolvent under Article 11.3, to (i) all Results generated until the effective date of such termination as well as Collaboration Technology solely owned by either Party and Collaboration Technology jointly owned by the Parties, together with all intellectual property rights therein, and (ii) to continue to develop and/or commercialize Products, whether directly or indirectly (e.g., through a Sublicensee), in any regulatory jurisdiction (including any country or geographical region therein) within the Territory, without any further financial obligation to Stelis BioPharma. Stelis BioPharma hereby agrees to execute one or more assignments necessary to effectuate such grant of rights to Pieris free of charge. Further, the License granted by Pieris to Stelis BioPharma hereunder shall terminate concurrently, and the License granted by Stelis BioPharma to Pieris hereunder shall survive such termination and remain in effect.

c. In the event of termination by Stelis BioPharma pursuant to Article 11.2 or Article 11.3, Stelis BioPharma shall retain and/or have the exclusive rights, with respect to any Collaboration Product that is subject to such material breach under Article 11.2 or with respect to all Collaboration Products when Pieris is insolvent under Article 11.3, to (i) all Results generated until the effective date of such termination as well as Collaboration Technology solely owned by either Party and Collaboration Technology jointly owned by the Parties, together with all intellectual property rights therein, and (ii) to continue to develop and/or commercialize Products, whether directly or indirectly (e.g., through a Sublicensee), in any regulatory jurisdiction (including any country or geographical region therein) within the Territory, without any further financial obligation to Pieris. Pieris hereby agrees to execute one or more assignments necessary to effectuate such grant of rights to Stelis BioPharma free of charge. Further, the License granted by Stelis BioPharma to Pieris hereunder shall terminate concurrently, and the License granted by Pieris to Stelis BioPharma hereunder shall survive such termination and remain in effect.

11.4.3 Upon termination of this Agreement or with respect to any Collaboration Product(s), each Party shall cease all work under this Agreement or the applicable Development Plan, as applicable, except for activities as necessary for an orderly wind-down of the performance of this Agreement or the applicable Development Plan, and return to the other Party all Confidential Information of the other Party and unused materials provided to it by the other Party under this Agreement or the applicable Development Plan, as applicable, and all copies and embodiments thereof, except that each Party may retain one copy of the other Party's written Confidential Information in its confidential files solely for archival purposes. Without limiting the generality of the foregoing, upon termination of this Agreement (in its entirety or with respect to any

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Collaboration Product), Stelis BioPharma shall immediately cease any use or practice of Pieris Materials and Deliverables provided under this Agreement or under the applicable Development Plan, as applicable, and return all remaining Pieris Materials and Deliverables in Stelis BioPharma's possession, including all embodiments or derivatives thereof.

11.4.4 Upon expiration of this Agreement with respect to any Collaboration Product(s), in the event such Collaboration Product(s) is transferred to the JVC as provided in Article 3.9, each Party shall fully cooperate with each other to facilitate a smooth, orderly and prompt transfer of such Collaboration Product(s) to the JVC. Without limiting the generality of the foregoing, (i) Stelis BioPharma shall assign or cause to be assigned to the JVC all Regulatory Filings and Regulatory Approvals and all communications with the applicable Regulatory Authorities obtained or maintained by or on behalf of Stelis BioPharma under this Agreement with respect to such Collaboration Product(s), (ii) each Party shall assign all of its right, title and interest in and to any Collaboration Technology [\*\*\*] to the JVC, and (iii) each Party shall transfer to the JVC all records, reports and other work products generated during its performance of the applicable Development Plan.

11.4.5 Without affecting Article 3.10, upon expiration or termination of this Agreement with respect to any Collaboration Product, in the event such Collaboration Product(s) is not transferred to the JVC as provided in Article 3.9, unless otherwise mutually agreed by the Parties, each Party shall return to the other Party all Confidential Information of the other Party and unused materials provided to it by the other Party (including Pieris Materials and Deliverables provided to Stelis BioPharma) under this Agreement or the applicable Development Plan, as applicable, and all copies and embodiments thereof, except that each Party may retain one copy of the other Party's written Confidential Information in its confidential files solely for archival purposes.

11.5 Survival. The provisions of Articles 1, 7, 9, 13 and 14, and Articles 4.1.2-4.1.4, 4.3, 5.5, 5.6, 5.7, 10.1, 10.3-10.5, 10.7, 11.4, 11.5, and 12.3 shall survive the expiration or termination of this Agreement for any reason. All other rights and obligations of the Parties shall cease upon termination of this Agreement. Except as otherwise expressly provided in this Article 11.5, all other rights and obligations of the Parties shall terminate upon expiration or termination of this Agreement.

Article 12

**REPRESENTATIONS AND WARRANTIES**

12.1 Mutual Representations and Warranties. Each Party represents and warrants to the other Party that: (a) as of the Effective Date, it has the power and authority to enter into this Agreement and to perform its obligations hereunder and to grant to the other Party the rights granted to such other Party under this Agreement; (b) as of the Effective Date, it has obtained all necessary corporate and other approvals to enter into and execute this Agreement; and (c) it is not, as of the Effective Date, a party to, nor will it enter into or assume during the Term, any contract or other obligation with a Third Party that would in any way limit the performance of its obligations under this Agreement (d) this Agreement will, when executed, constitute valid and

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binding obligations on the Parties; and (e) entry into and performance by it of this Agreement will not (i) breach any provision of its bylaws or equivalent constitutional documents; or (ii) result in a breach of any Applicable Laws in its jurisdiction of incorporation or of any order, decree or judgment of any court or any Regulatory Authority, where any such breach would affect to a material extent its ability to enter into or perform its obligations under this Agreement.

12.2 **No Debarment**. Each Party further represents and warrants that neither it, nor any of its Affiliates, nor any of their respective employees or contractors involved in the performance of this Agreement have been “debarred” by the FDA pursuant to 21 U.S.C. § 335a or subject to a similar sanction from any Regulatory Authority in any other jurisdiction, nor have debarment or similar proceedings against such Party, any of its Affiliates, or any of their respective employees or contractors involved in the performance of this Agreement been commenced. Each Party will promptly notify the other Party in writing if any such proceedings are commenced or if such Party, any of its Affiliates, or any of their respective employees or contractors involved in the performance of this Agreement are debarred or similarly sanctioned by any Regulatory Authority.

12.3 **DISCLAIMERS**.

12.3.1 **GENERAL**. EXCEPT AS EXPRESSLY PROVIDED IN THIS AGREEMENT, NEITHER PARTY MAKES ANY WARRANTIES (EXPRESS, IMPLIED, STATUTORY OR OTHERWISE) WITH RESPECT TO THE SUBJECT MATTER HEREOF (SUCH AS PIERIS MATERIALS AND DELIVERABLES) AND EACH PARTY EXPRESSLY DISCLAIMS ANY SUCH ADDITIONAL WARRANTIES WITH RESPECT TO THE SUBJECT MATTER HEREOF (SUCH AS PIERIS MATERIALS AND DELIVERABLES), INCLUDING ANY IMPLIED WARRANTIES OF FITNESS FOR A PARTICULAR PURPOSE, MERCHANTABILITY OR NONINFRINGEMENT OF INTELLECTUAL PROPERTY RIGHTS.

12.3.2 **PIERIS MATERIALS AND DELIVERABLES**. EXCEPT AS PROVIDED IN ARTICLE 4.2, THE PIERIS MATERIALS AND DELIVERABLES ARE PROVIDED “AS-IS.”

12.3.3 **LIMITATION OF LIABILITY**. NEITHER PARTY WILL BE LIABLE TO THE OTHER PARTY FOR INDIRECT, INCIDENTAL, CONSEQUENTIAL, OR SPECIAL DAMAGES INCLUDING, BUT NOT LIMITED TO, LOST PROFITS ARISING FROM OR RELATING TO THIS AGREEMENT, REGARDLESS OF ANY NOTICE OF THE POSSIBILITY OF SUCH DAMAGES. HOWEVER, NOTHING IN THIS ARTICLE IS INTENDED TO LIMIT OR RESTRICT THE INDEMNIFICATION RIGHTS OR OBLIGATIONS OF EITHER PARTY UNDER ARTICLE 13.

Article 13

**INDEMNIFICATION**

13.1 **Pieris**. Pieris shall indemnify, defend and hold harmless Stelis BioPharma, its directors, officers, employees, agents, successors and assigns from and against any liabilities, expenses or costs (including reasonable attorneys’ fees and court costs) arising out of any claim, complaint,

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suit, proceeding or cause of action against any of them by a Third Party resulting from: (a) the negligent or intentionally wrongful acts or omissions of Pieris, its Affiliates and subcontractors during the performance of any Development Plan or (b) any breach by Pieris of its representations and warranties under this Agreement; in each case, subject to the requirements set forth in Article 13.3 below. Notwithstanding the foregoing, Pieris shall have no obligations under this Article 13 for any liabilities, expenses or costs arising out of or relating to claims to the extent covered under Article 13.2 below.

13.2 Stelis BioPharma. Stelis BioPharma shall indemnify, defend and hold harmless Pieris, its directors, officers, employees, agents, successors and assigns from and against all liabilities, expenses, and costs (including reasonable attorneys' fees and court costs) arising out of any claim, complaint, suit, proceeding or cause of action against any of them by a Third Party resulting from: (a) the negligent or intentionally wrongful acts or omissions of Stelis BioPharma, its Affiliates and subcontractors during the performance of any Development Plan or (b) any breach by Stelis BioPharma of any of its representations and warranties under this Agreement; in each case, subject to the requirements set forth in Article 13.3 below. Notwithstanding the foregoing, Stelis BioPharma shall have no obligations under this Article 13 for any liabilities, expenses or costs arising out of or relating to claims to the extent covered under Article 13.1 above.

13.3 Indemnification Procedure. Any Party seeking indemnification under this Article 13 (the "Indemnitee") shall: (a) promptly notify the indemnifying Party (the "Indemnitor") of such claim; (b) agree to the Indemnitor sole control over the defense or settlement thereof; and (c) at the Indemnitor's request and expense, provide full information and reasonable assistance to Indemnitor with respect to such claims. Without limiting the foregoing, with respect to claims brought under Article 13.1 or 13.2 above the Indemnitee, at its own expense, shall have the right to participate with counsel of its own choosing in the defense or settlement of any such claim. The indemnification under this Article 13 shall not apply to amounts paid in settlement of any claim if such settlement is effected without the consent of the Indemnitor.

13.4 Insurance. Each Party will procure and maintain, at its own expense, insurance, with a financially sound and reputable insurer, reasonably sufficient to cover such Party's activities and its obligations under this Agreement with minimum coverage amounts customary for the activities of such Party hereunder in the jurisdiction(s) where such activities are performed.

Article 14

**GENERAL PROVISIONS**

14.1 Affiliates. Each Party may perform any obligations and exercise any rights hereunder through any of its Affiliates. Each Party hereby guarantees the performance by its Affiliates of such Party's obligations under this Agreement, and will cause its Affiliates to comply with the provisions of this Agreement in connection with such performance. Any breach by a Party's Affiliate of any of such Party's obligations under this Agreement will be deemed a breach by such Party, and the other Party may proceed directly against such Party without any obligation to first proceed against such Party's Affiliate.

14.2 Assignment. Each Party agrees that its rights and obligations under this Agreement may not be assigned or otherwise transferred to a Third Party without the prior written consent of the

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other Party hereto. Notwithstanding the foregoing, either Party may transfer or assign its rights and obligations under this Agreement to (a) an Affiliate, subject to the prior notice to the other Party and the assigning Party remaining responsible for such Affiliate's performance or (b) a successor to all or substantially all of its business or assets relating to this Agreement whether by sale, merger, operation of law or otherwise, without the prior written consent of the other Party; provided that such assignee or transferee has agreed to be bound by the terms and conditions of this Agreement. Subject to the foregoing, this Agreement shall be binding upon and inure to the benefit of the Parties hereto, their successors and assigns.

14.3 Severability. If any clause, provision, or Article of this Agreement attached hereto, shall, for any reason, be held illegal, invalid or unenforceable, the Parties shall negotiate in good faith and in accordance with reasonable standards of fair dealing, a valid, legal, and enforceable substitute provision or provisions that most nearly reflect the original intent of the Parties under this Agreement in a manner that is commensurate in magnitude and degree with the changes arising as a result of any such substitute provision or provisions. All other provisions in this Agreement shall remain in full force and effect and shall be construed in order to carry out the original intent of the Parties as nearly as possible (consistent with the necessary reallocation of benefits) and as if such invalid, illegal, or unenforceable provision had never been contained herein. In performing this Agreement, the Parties shall comply with all Applicable Laws. Nothing in this Agreement shall be construed so as to require the violation of any law, and wherever there is any conflict between any provision of this Agreement and any law the law shall prevail, but in such event the affected provision of this Agreement shall be affected only to the extent necessary to bring it within the Applicable Laws.

14.4 Merger of Understandings; Amendment. This Agreement (and the Exhibits attached hereto) constitute the entire agreement between the Parties regarding the subject matter hereof and all prior negotiations and understandings between the Parties are deemed to be merged into this Agreement. No agreement or understanding varying or extending this Agreement shall be binding upon either Party hereto, unless set forth in a writing which specifically refers to the Agreement signed by duly authorized officers or representatives of the respective Parties, and the provisions hereof not specifically amended thereby shall remain in full force and effect.

14.5 Waiver. Any waiver of the terms and conditions hereof must be explicitly in writing and executed by a duly authorized officer of the Party waiving compliance. The waiver by either of the Parties of any breach of any provision hereof by the other shall not be construed to be a waiver of any succeeding breach of such provision or a waiver of the provision itself. The delay or failure of any Party at any time to require performance of any provision of this Agreement shall in no manner affect such Party's rights at a later time to enforce the same.

14.6 Notices. Any notice, report or other communication required or permitted to be given by either Party under this Agreement shall be given in writing and may be delivered by hand, reputable international 3- or 4-day courier service or by mailing if mailed by registered or certified mail, postage prepaid and return receipt requested (or the international equivalent), or by email or fax (with printed confirmation of transmission and with confirmation copy forwarded by reputable international 3- or 4-day courier service), addressed to each Party as follows. Such information may be updated by a Party upon written notice to the other Party. A notice shall be deemed delivered upon receipt, unless the notice is received on a day other than a business day in

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the jurisdiction of the recipient or after 5:30 p.m. at the location of delivery, in which case delivery shall be deemed to be the next business day after receipt (as determined in the jurisdiction of recipient).

For Pieris: Pieris AG  
Lise-Meitner-Straße 30, 85354  
Freising, Germany  
Attention: CEO  
Fax: +49 8161 14 11 444

For Stelis BioPharma: Stelis BioPharma Private Limited  
Strides House, Bilekahalli  
Bannerghatta Road,  
Bangalore 560 076, INDIA  
Attention: Legal Department  
Fax: + 91 80 6784 0700 / 800

**14.7 Force Majeure.** Neither of the Parties shall be liable for any default or delay in performance of any obligation under this Agreement caused by any of the following: Act of God, war, terrorism, riot, fire, explosion, accident, flood, sabotage, compliance with governmental requests, laws, regulations, orders or actions, national defense requirements or any other event beyond the reasonable control of such Party, or labor trouble, strike, lockout or injunction, provided that neither of the Parties shall be required to settle a labor dispute against its own best judgment, (collectively, "Force Majeure"). The Party invoking the provisions of this Article 14.7 shall give the other Party written notice and full particulars of such force majeure event. Both Pieris and Stelis BioPharma shall use reasonable business efforts to resolve or at least mitigate the effects of any force majeure on their respective part.

**14.8 Relationship of the Parties.** The relationship of Pieris and Stelis BioPharma is strictly one of independent contractors and the Parties acknowledge that this Agreement does not create a joint venture, partnership, or the like, between them. Pieris and Stelis BioPharma shall always remain independent contractors in its performance of this Agreement. Neither Party shall have any authority to employ any individual as an employee or agent for or on behalf of the other Party to this Agreement for any purpose, and neither Party, nor any person performing any duties or engaging in any work at the request of such Party, shall be deemed to be an employee or agent of the other Party.

**14.9 Choice of Law.** This Agreement shall be governed by and construed in accordance with the then-current substantive law of England and Wales, without regard to the conflict of laws principles thereof, and shall not be governed by the United Nations Convention on Contracts for the International Sale of Goods.

**14.10 Dispute Resolution.**

14.10.1 **General.** Either Party should first try to resolve a Dispute amicably before resorting to the arbitration proceeding referred in Article 14.10.2. In this regard, either Party may, by written notice to the other Party, have a Dispute referred to the Chief

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***



Executive Officers of Parties for attempted resolution by good faith negotiations. Promptly after such notice is received, each Party shall cause its Chief Executive Officers to meet (face-to-face or by teleconference) and be available to attempt to resolve such issue. If the Parties are able to resolve such a Dispute, a written document such as a letter or memorandum setting forth the Parties' agreement will be prepared and signed by both Parties if requested by either Party. The Parties shall cooperate in an effort to limit the issues for consideration in such manner as narrowly as reasonably practicable in order to resolve the Dispute.

14.10.2 [\*\*\*]. In the event that the Parties are unable to resolve a Dispute in the manner referred in Article 14.10.1 within [\*\*\*] days from the date such dispute was referred to the Chief Executive Officers of the Parties, then either Party may [\*\*\*]. [\*\*\*].

14.11 Headings. Headings herein are for convenience of reference only and shall in no way affect interpretation of this Agreement.

14.12 Counterparts. This Agreement may be executed in any number of counterparts with the same effect as if all Parties had signed the same document. All such counterparts shall be deemed an original, shall be construed together and shall constitute one and the same instrument.

14.13 Exhibits. The appended Exhibits and any modifications or amendments thereof form an integral part of this Agreement.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**CONFIDENTIAL TREATMENT REQUESTED****CONFIDENTIAL**

IN WITNESS WHEREOF, the Parties hereto have caused their duly authorized representatives to execute this Agreement as of the Effective Date.

**PIERIS AG**By: /s/ Stephen S. YoderName: Stephen S. YoderTitle: CEO**WITNESS**By: /s/ Shane OlwillName: Shane OlwillTitle: VP Development**STELIS BIOPHARMA PRIVATE LIMITED**By: /s/ Anand IyerName: Dr. Anand IyerTitle: CEO**WITNESS**By: /s/ Winny SinghName: Winny SinghTitle: Team Leader

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**Exhibit I**

**Development Plan**

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*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



[\*\*\*]

[***]	[***]	[***]	[***]	[***]	[***]
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*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



[\*\*\*]

**Exhibit II**

(Each initially-capitalized term has the meaning  
as defined in the Joint Development and License Agreement)

When a Party timely exercises the option under Article 3.10 of the Joint Development and License Agreement for a Collaboration Product, the other Party shall grant the first-mentioned Party an exclusive (event to the granting Party), royalty-bearing, world-wide license under the granting Party's Background Technology and Acquired IP, any Collaboration Technology solely owned by the granting Party pursuant to Article 10 of the Joint Development and License Agreement, and the granting Party's interests in any Collaboration Technology jointly owned by the Parties pursuant to said Article 10, together with all intellectual property rights therein, with the right to grant sublicenses, to use, make, have made, sell, have sold, offer for sale and/or have offered for sale such Collaboration Product in the Field; provided, however, that the Parties shall negotiate and agree in good faith on financial terms, wherein [\*\*\*], as well as on other customary terms and conditions.

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Exhibit III

JOINT VENTURE AGREEMENT

[\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

CONFIDENTIAL TREATMENT REQUESTED

## RESEARCH AND LICENSING AGREEMENT

between

**Technische Universität München**  
(Munich Technical University),  
represented by its President,

**Executory:**

Prof. Dr. Arne Skerra  
Chair of Biochemistry  
An der Saatzucht 5  
D-85350 Freising/Weihenstephan

(hereinafter referred to as the **UNIVERSITY**)

and

**Pieris AG**

Lise-Meitner-Str. 30  
D-85354 Freising

(hereinafter referred to as **PIERIS**)

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**PREAMBLE**

The Parties are jointly conducting research aimed at gaining fundamental insights in the realm of anticalins and lipocalins. To that effect the Parties signed a Research and Licensing Agreement on 26 June / 04 July 2003[\*\*\*].

The UNIVERSITY, Chair of Biochemistry, Prof. Skerra, maintains cooperative research relations on the subject of this Agreement [\*\*\*] who, inter alia, [\*\*\*], while under this Agreement, against payment of licence fees, UNIVERSITY grants licences or assigns to PIERIS patent rights to be obtained or already secured by UNIVERSITY in connection with this research activity. PIERIS endeavours to commercially exploit the knowledge thus acquired and patents granted.

Both Parties understand that, before the object of this Agreement can be marketed, PIERIS will have to expend substantial future research efforts and financial means above and beyond this Agreement.

**§ 1**

**OBJECT OF THE AGREEMENT**

- 1.1 The object of this Agreement is a joint research effort aimed at optimising the anticalin technology developed by Prof. Skerra for deployment in therapeutic, prophylactic and diagnostic applications and as research reagents and, beyond that, at gaining fundamental insights in the realm of anticalins and lipocalins. For the purpose of this research, the Parties are conducting joint research projects (hereinafter the "PROJECTS"), initially defined in more detail in Appendix 1 and subject to updates as a function of the progress of the project.
- 1.2 As set forth in § 4, PIERIS shall provide UNIVERSITY with funding for the execution of the PROJECTS.

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**§ 2  
COOPERATION BETWEEN UNIVERSITY AND PIERIS**

- 2.1 The Parties to this Agreement concur that the success of the project depends in large measure on cooperation in mutual trust and on a regular exchange of information. Both Parties therefore agree to vigorously promote the project by discussing their activities and exchanging their experiences.
- 2.2 The Parties to the Agreement concur that it is necessary to adhere as much as possible to the PROJECTS, described in some detail in Appendix 1, both in terms of substance and schedules, but that they must remain flexibly adjustable in view of the dynamics of the development. Such adjustments shall be made in the course of periodic progress meetings on the occasion of which the next project steps shall also be determined. The results shall be defined in dated, consecutively numbered minutes, signed by both Parties and integrated as updates to Appendix 1 of this Agreement. On the part of the UNIVERSITY, such updates shall be within the purview of Prof. Dr. Arne Skerra.

**§ 3  
THE UNIVERSITY'S CONTRIBUTION**

- 3.1 For subject research under this Agreement, the UNIVERSITY, Chair of Biochemistry, Prof. Skerra, shall cooperate [\*\*\*] throughout the duration of the project, collaboration with non-commercial parties excepted. Within the scope of this cooperation the UNIVERSITY shall make everything available that is required for the research hereunder and for the fulfilment of this Agreement, in particular the necessary equipment as well as the findings and insights gained to date.
- 3.2 The UNIVERSITY commits itself to having the PROJECTS carried out by at least [\*\*\*] or, alternatively, by [\*\*\*]. The extent of the activities will be determined by the respective update to Appendix 1.
- 3.3 These activities shall be supervised by Prof. Dr. Arne Skerra, Chair of Biochemistry at the Technical University in Freising/Weihenstephan. Prof. Skerra will perform his activities within the scope of the research project without basing it on any employment status with PIERIS. [\*\*\*].
- 3.4 The UNIVERSITY and its associates shall make every effort, in due consideration of the latest scientific findings, to advance the project to the best of their ability.
- 3.5 On at least [\*\*\*] basis the UNIVERSITY shall prepare a written summary of the project status attained, indicating the deployment of personnel and materials, and submit these reports to PIERIS.
- 3.7 Both Parties concur that the data, MATERIALS or patents conveyed by UNIVERSITY to PIERIS within the scope of this Agreement shall [\*\*\*] in accordance with [\*\*\*]. In the event of [\*\*\*] UNIVERSITY shall [\*\*\*]. Independent thereof, UNIVERSITY shall [\*\*\*].

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**§ 4**

**PIERIS' CONTRIBUTION**

- 4.1 As its contribution to the funding of the cost of personnel and materials incurred by Prof. Skerra's work group in connection with the PROJECTS, PIERIS shall allocate to the UNIVERSITY the total amount of EUR[\*\*\*]for PROJECT [\*\*\*] during the period [\*\*\*], [\*\*\*] EUR[\*\*\*] at the [\*\*\*]. PIERIS shall remit all payments, identified by an accounting entry code to be provided by the UNIVERSITY in each case and with the annotation "Chair of Biochemistry, Prof. Dr. Skerra", into account number [\*\*\*]. The payee and owner of that account is [\*\*\*].
- 4.2 The Parties to this Agreement concur that the PROJECTS described in more detail in Appendix 1 hereto shall be adhered to as much as possible in terms of substance and target dates. PIERIS expressly abstains from committing [\*\*\*] extending beyond the term of this Agreement. PIERIS is aware, however, of the fact that [\*\*\*]. In the event of a premature cancellation of this Agreement brought about by PIERIS, PIERIS shall [\*\*\*] stated under 4.1.
- 4.3 To the extent that within the scope of the PROJECTS and as agreed with PIERIS, joint work sessions or the support services to be provided by the UNIVERSITY involve travel expenses, PIERIS shall reimburse the UNIVERSITY [\*\*\*].

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**§ 5**

**CONFIDENTIALITY**

- 5.1 Each Party to this Agreement agrees to treat as confidential vis-à-vis third parties all documentation and other data received from the respective other Party as well as the results achieved within the scope of this project and the MATERIAL made available by the respective other Party and developed MATERIAL (information), subject to the provisions of § 5.3 and § 5.4, and to publish them only with the prior consent of the respective other Party to this Agreement. The Parties to the Agreement shall limit the dissemination of data to the group of persons participating in the project. This obligation shall not apply if the information was (i) verifiably available to the recipient prior to the date of this Agreement, was in the public domain or was generally accessible prior to the publication; or (ii) essentially corresponds to data disclosed or made accessible to the recipient at any given time by an authorised third party; or (iii) the data are verifiably based on an independent development made by the recipient.
- 5.2 Each Party to this Agreement shall make certain that the persons engaged in this project, including in particular Prof. Skerra, are made aware of, and consent to, the conditions of this Agreement, especially with regard to the confidentiality obligation. Each Party hereto agrees to have all persons involved in the project sign a corresponding confidentiality undertaking (Appendix 2), providing the respective other Party with a copy thereof prior to the inception of the project.
- 5.3 For PIERIS the confidentiality-related provisions of this § 5 shall not be applicable to the extent that the information-related MATERIAL had been turned over to PIERIS or the information-related patents were transferred to PIERIS by way of assignment or licensing or if the release of the information to potential or current investors is desirable or otherwise customary. PIERIS may share the information with sub-licensees or collaborative partners only if these commit to the customary extent of confidentiality or if the UNIVERSITY waives the confidentiality requirement.
- 5.4 UNIVERSITY shall not pass on to third parties biological material previously or subsequently given to it by PIERIS or any biological material generated within the scope of this Agreement. UNIVERSITY shall bring this obligation to the attention of its co-workers who are involved in the research project under this Agreement. The exceptional release of biological material to third parties by UNIVERSITY shall require a written consent via a Material Transfer Agreement, attached hereto as Appendix 4. Upon request by PIERIS, the transfer of biological material from PIERIS to UNIVERSITY shall also be documented in writing by way of a Material Transfer Agreement. In that case, clause 6

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of the Material Transfer Agreement per Appendix 4 shall not apply to the relationship between UNIVERSITY and PIERIS with regard to material which was transferred during the PROJECT PHASE per § 8.1. Per mutual consent, both Parties shall be able to modify Appendix 4 in individual cases or to waive the use of Appendix 4.

**§ 6**

**PUBLICATIONS**

- 6.1 The Parties concur that the objective of their cooperation consists in the development of exploitable inventions and their protection through patents or other intellectual property rights. Patent protection, however, can only be obtained if at the time the application is filed the novel realisations have not yet been published. On the other hand, the UNIVERSITY and its participating co-workers have an interest in publishing the results achieved and scientific knowledge gained at the University during the cooperative activity. Nevertheless, patent applications planned by PIERIS or the UNIVERSITY on the object of the research or this Agreement must not be jeopardised by prepublications prejudicial to novelty.
- 6.2 UNIVERSITY agrees that, when publishing scientific papers including dissertations, it will take PIERIS' interests into account. Therefore, [\*\*\*] prior to such publication, UNIVERSITY shall submit to PIERIS the text of the intended publication or dissertation. Upon request by PIERIS, both Parties shall deliberate a wording that satisfies the interests of both Parties.
- 6.3 PIERIS agrees to review the proposed publications (manuscripts) with regard to prepublication [\*\*\*] within [\*\*\*] and to correspondingly advise UNIVERSITY of its position. If after expiration of [\*\*\*] UNIVERSITY has not received a written position statement from PIERIS, PIERIS's consent regarding publication shall be deemed to have been given, provided PIERIS has at least acknowledged to UNIVERSITY, in writing, the receipt of the publication proposal. After the expiration of [\*\*\*] from its submittal to PIERIS, the manuscript may be published irrespective of any consent by PIERIS. Dissertations, however, may in any event be published after expiration of [\*\*\*] from submittal to PIERIS.
- 6.4 If so requested by it, publications shall name PIERIS as a co-initiator and sponsor of the study.

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**§ 7**

**USE RIGHTS, INTELLECTUAL PROPERTY RIGHTS**

- 7.1 In accordance with this § 7, UNIVERSITY shall assign to PIERIS the property as well as the right to use all material results of its work (MATERIAL). MATERIAL as defined for the purpose of this Agreement shall include all biological and other materials, records, laboratory books, data and other relevant activity results, the reports and documents generated as well as the copyrights on these, derived within the scope of the PROJECTS per 1.1. To the extent that UNIVERSITY is required by law to store or archive parts of the MATERIALS, PIERIS grants UNIVERSITY proprietary rights restricted to that purpose.
- 7.2 In addition, UNIVERSITY assigns the right to use all non-patentable expertise, know-how and all other intangible results generated within the framework of the projects.
- 7.3 The Parties concur that (i) in the course of the PROJECTS, inventions and thus rights to patents (intellectual property rights) may be generated and that (ii) the Parties shall be entitled to these rights as follows:
- (a) PIERIS INVENTIONS  
Inventions made exclusively by PIERIS employees (hereinafter “PIERIS INVENTIONS”) shall belong exclusively to PIERIS;
- (b) JOINT INVENTIONS  
Inventions made by both PIERIS employees and UNIVERSITY personnel (including Prof. Dr. Arne Skerra) with at least [\*\*\*] inventive contribution by PIERIS employees (hereinafter “JOINT INVENTIONS”) shall be exclusively credited to PIERIS. To that effect, under this § 7, the UNIVERSITY hereby assigns in advance its proportional rights in such JOINT INVENTIONS to PIERIS.
- (c) UNIVERSITY INVENTIONS  
Inventions made exclusively by UNIVERSITY personnel or inventions in which the inventive contribution by PIERIS employees is [\*\*\*] (hereinafter “UNIVERSITY INVENTIONS”) are credited to the UNIVERSITY with the proviso that, by advance assignment per this § 7, the UNIVERSITY grants PIERIS exclusive rights to use these UNIVERSITY INVENTIONS.

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**CONFIDENTIAL TREATMENT REQUESTED**

In the event that controversies regarding the proportional inventive contribution cannot be resolved, the case shall be decided by an arbitration tribunal according to § 11.3.

- 7.4 In exchange for participation in accordance with the licensing model per § 9 under the Research and Licensing Agreement of [\*\*\*], extended and modified by the Amended and Continued Agreement of [\*\*\*] and incorporated in this present Agreement, UNIVERSITY has legally assigned to PIERIS the rights to patent [\*\*\*], already applied for by PIERIS, retroactively to [\*\*\*] and to [\*\*\*] (see Appendix 5.1). In addition, in exchange for participation in accordance with the licensing model per § 9, UNIVERSITY is hereby assigning the patent rights, already applied for by PIERIS, to “[\*\*\*]” (see Appendix 5.1). For these rights, PIERIS has defrayed all application, maintenance and internal administrative costs in the past and shall cover them in the future as well. Furthermore, in exchange for participation in accordance with the licensing model per § 9 of this Agreement, the University hereby grants PIERIS an exclusive licence, unlimited in time and geography, and revocable only per §§ 8.2, 8.3, sub-licensable and freely transferable, for the use of the patent rights under “[\*\*\*]” (see Appendix 5.2), with the proviso that the rights of [\*\*\*] project, derived from the [\*\*\*]”, especially with regard to [\*\*\*], shall be protected and shall take precedence over this present Agreement.
- 7.5 In accordance with this § 7, UNIVERSITY shall inform PIERIS of additional inventions and developments within the scope of the PROJECTS, granting PIERIS an exclusive licence, unlimited in time and geography, and revocable only per §§ 8.2, 8.3, sub-licensable and freely transferable, on new UNIVERSITY INVENTIONS per § 7.3 c). In addition, UNIVERSITY shall assign to PIERIS the entirety of its share in JOINT INVENTIONS per § 7.3.b). In exchange, PIERIS shall pay royalties per § 9.
- 7.6 On licensed UNIVERSITY INVENTIONS and assigned JOINT INVENTIONS, PIERIS shall grant the UNIVERSITY and its participating co-workers a free, non-transferable, non-exclusive research and teaching licence subject to the provisions of the confidentiality undertaking (co-worker declaration) and, to the same extent, the right to use all activity results. This precludes the right to perform contract research for third parties as well as any research projects and cooperative research activities that would involve the transfer of research results to commercial third parties.

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**CONFIDENTIAL TREATMENT REQUESTED**

- 7.7 The MATERIAL generated by the UNIVERSITY in the course of the PROJECTS shall be disclosed to PIERIS as soon as possible, completely and comprehensively, handed over in its original form or copies thereof, and made over, along with the use rights necessary for its exploitation. Within its legal possibilities, UNIVERSITY shall make certain by appropriate measures that the employees report inventions in compliance with Employee Inventions Act § 5.
- 7.8 For JOINT INVENTIONS and UNIVERSITY INVENTIONS per § 7.3.b) and c), UNIVERSITY shall promptly inform PIERIS of reports submitted in compliance with Employee Inventions Act § 5, indicating the date of the invention report and the names of the persons involved. PIERIS shall promptly send to the University a written acknowledgment indicating the date the information was received.
- 7.9 PIERIS shall advise the University whether it is interested in these inventions. PIERIS shall provide a corresponding written statement within a maximum of [\*\*\*] after having received the information from UNIVERSITY. After a positive assessment by PIERIS, UNIVERSITY shall claim unrestricted ownership of the invention. UNIVERSITY shall ensure compensation of its employed inventors in accordance with the Employee Inventions Act. If within the stated time limit PIERIS does not assess or positively assess a reported invention, the UNIVERSITY shall have exclusive rights to the invention concerned or to the corresponding share in the invention.
- 7.10 The patent rights, once claimed, shall be listed in Appendix 5.
- 7.11 The exclusive licence for UNIVERSITY INVENTIONS includes the right to file a patent or utility-patent application for such UNIVERSITY INVENTIONS in the name of the UNIVERSITY and to use them for research, development as well as any commercial or other exploitation.
- 7.12 "Exploitation" as defined for the purpose of this Agreement includes the use, manufacture, out-sourced manufacture, sub-licensing, advertising, marketing, selling, renting, leasing and any other paid-for utilisation of the JOINT INVENTIONS and/or UNIVERSITY INVENTIONS. Paid-for utilisation also includes valuable consideration generated by PIERIS or its sub-licensees through the use of the contractual patent rights in connection with cross-licensing, arm's-length agreements and all other contracts with third parties which contain a negative or positive licence or which are secured on the basis of court proceedings (before a court of justice and/or an arbitration tribunal) and in judicial and/or extrajudicial adjustment procedures. Any exploitation should take place under standard commercial conditions. Valuable consideration does not include R&D expenses paid by third parties to PIERIS.

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

- 7.13 The Parties to this Agreement shall inform each other of any patent infringements of which they become aware and, in the event of an infringement and/or nullity suit, to compare notes on a suitable approach. Neither Party shall have the obligation to take action against infringing persons. Should UNIVERSITY prefer not to take action against infringers, PIERIS shall be free, at its own expense, to take action against infringements of the patent rights. In that case, PIERIS shall promptly inform UNIVERSITY ahead of its action and UNIVERSITY shall immediately provide PIERIS with all necessary information, carrying out measures of its own, declarations and actions only as instructed by PIERIS.
- 7.14 [\*\*\*] shall assume all reasonable or generally customary costs, [\*\*\*], in connection with the patent application ([\*\*\*]), defence and enforcement including all attorneys' fees verifiably paid or payable in connection with patents to which PIERIS has been granted exclusive rights, or if PIERIS itself pursues the assigned patent rights or has given its written consent to having an attorney handle the application and follow-up on the exclusively licensed patent rights. The selection of appropriate attorneys shall be made by [\*\*\*]. [\*\*\*] shall fully exempt the attorneys from the confidentiality obligation while requiring them to keep [\*\*\*] informed.
- 7.15 If because of the use of intellectual property rights either Party is sued for the infringement of the rights of a third party, it shall immediately notify the respective other Party hereto. The respective other Party shall in any such case have the right to join in the legal dispute.
- 7.16 Should one of the Parties to this Agreement choose not to continue pursuing a patent, it shall so advise the respective other Party hereto early enough to enable the other Party to further pursue the patent concerned within a time limit of [\*\*\*]. The Party concerned shall offer the respective other Party the assignment of the patent rights concerned under simultaneous recognition of a free, non-exclusive right to use the inventions/patent rights for its own research purposes (not including contract research for third parties nor exploitation per § 7.12) while, if applicable, providing the other Party hereto with the documentation needed for further pursuing the patent and submitting any other additionally required explanations. In the event of an assignment of the patent rights the receiving Party hereto shall exempt the other Party from its obligations vis-à-vis the latter's employed inventors. If the offer is accepted, the accepting Party shall defray the cost of maintaining the patent rights assigned to it. In addition, in the event of a reverse assignment, UNIVERSITY shall cover the investments made by PIERIS toward the development of the patent rights as well as all costs and fees incurred as of that date in connection with the patent, with UNIVERSITY only having to make these payments out of royalty income and other payments received from third parties relative to the patent, as well as out of

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its own net proceeds analogously defined in § 9.5.4. The costs incurred by the UNIVERSITY for continuing the patent rights as well as a reasonable risk allowance shall be deducted from these payments.

**§ 8**

**TERM OF THIS AGREEMENT**

- 8.1 The individual PROJECT PHASES extend over a period of [\*\*\*], to wit: PROJECT [\*\*\*], PROJECT [\*\*\*], and PROJECT [\*\*\*]. If PIERIS intends to extend the Research Agreement, it shall so inform the UNIVERSITY by [\*\*\*]. Thereupon, [\*\*\*].
- 8.2 The licensing provisions of this Agreement set forth in §§ 7 and 9 shall remain in effect until the patent concerned expires or at least for as long as royalties have to be paid according to § 9, unless this Agreement is prematurely cancelled in its entirety or for individual patents. The stipulations regarding publication and confidentiality per §§ 5 and 6 shall become void [\*\*\*] after the expiration of the specific PROJECT PHASE concerned.
- 8.3 The Parties to this Agreement may prematurely cancel the licensing arrangements for cause only. On the part of the UNIVERSITY, such cause exists if, a written reminder and a reasonable deadline notwithstanding, PIERIS has failed [\*\*\*] to pay the fees due according to the Agreement. The notice of cancellation must be in writing and delivered via registered mail. PIERIS may cancel the Licensing Agreement for individual and/or all licensed patent rights at [\*\*\*] notice as of the end of a month. No such right to cancel exists with regard to patents assigned to PIERIS, but PIERIS shall have the right to offer such patents per 7.16 for reverse assignment to the UNIVERSITY.

**§ 9**

**License Fees**

- 9.1 In exchange for the assignment or licensing of shares in JOINT INVENTIONS and/or UNIVERSITY INVENTIONS by UNIVERSITY to PIERIS, a remuneration along a licence model per §§ 9.3 – 9.6 shall be payable. To the extent that it relates to UNIVERSITY INVENTIONS, the licence model shall apply in full. In the case of JOINT INVENTIONS, the license fee amounts shown shall be prorated according to the proportion of the invention contributed by UNIVERSITY.

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- 9.2 The payments required per §§ 9.3 – 9.6 shall not begin until the time of the first patent application and end upon expiration of the longest-running patent.
- 9.3 If a licensed or assigned patent is legally declared null and void, no further license fee payments shall be due for that particular patent. PIERIS cannot require repayment of fees paid per § 9.
- 9.4 For all patents covered under this Agreement, PIERIS shall make the following [\*\*\*] license fee payment in the year concerned (all amounts shown below are in Euros), if no other income has been or is being generated through sales revenues or other valuations, the total of which results in an income for UNIVERSITY that exceeds the respective annually payable minimum license fee according to the following table (if the total amount of such other income is higher than the minimum license fee for a given year, the excess amount shall be applied toward the minimum license fee for the subsequent years):

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

[\*\*\*] [\*\*\*] Euros [\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

9.5 For [\*\*\*] the following amounts shall be paid:

9.5.1 If the development of an anticalin is based on one or several patents covered by this Agreement, the following [\*\*\*] license fees shall be payable in each case of [\*\*\*] of an anticalin [\*\*\*]:

[\*\*\*] Euros  
[\*\*\*] Euros  
[\*\*\*] Euros  
[\*\*\*] Euros  
[\*\*\*] Euros

An [\*\*\*]" as defined for the purpose of this provision is [\*\*\*]. A "[\*\*\*]" as defined herein refers to [\*\*\*].

9.5.2 In addition, a [\*\*\*] payment of EUR [\*\*\*] Euros [\*\*\*] shall be due for [\*\*\*] based on one or several patents covered by this Agreement and shall be payable after a [\*\*\*].

9.5.3 If [\*\*\*] are based on one or more patents covered by this Agreement are [\*\*\*], a royalty of [\*\*\*] of the [\*\*\*].

9.5.4 The term [\*\*\*] as defined in this Agreement refers to [\*\*\*].

9.6 In case of [\*\*\*], PIERIS shall pay the following amounts:

In each case of [\*\*\*] per § 7.12 [\*\*\*], PIERIS shall make a payment in the amount of [\*\*\*] of [\*\*\*] to PIERIS as the [\*\*\*] to the UNIVERSITY, but at least [\*\*\*] of the [\*\*\*] which the UNIVERSITY would receive as a result in the case of [\*\*\*] by PIERIS according to art. 9.5 and 9.8, limited, however, to a maximum of [\*\*\*] of the total annual revenue achieved by PIERIS in a [\*\*\*].

9.7 In [\*\*\*] per art. 7.12, PIERIS shall pay [\*\*\*] of the [\*\*\*] thereby achieved or, in the event of some other exploitation, of the pecuniary-value benefits derived via a [\*\*\*].

9.8 If in the case of [\*\*\*] per § 7.12 PIERIS has to pay a total in excess of [\*\*\*] in [\*\*\*] to third parties, unrelated to [\*\*\*], the UNIVERSITY shall receive [\*\*\*] according to the table below. In any such case of [\*\*\*] PIERIS shall pay an amount of [\*\*\*] (see definition below) of the [\*\*\*] of the [\*\*\*] as [\*\*\*] to the UNIVERSITY, but at least [\*\*\*] of the license fee which the UNIVERSITY would receive as a result of [\*\*\*]. [\*\*\*], not exceeding, however, a maximum of [\*\*\*] of [\*\*\*] PIERIS would achieve in [\*\*\*]. However, that license fee shall never be less than [\*\*\*]. PIERIS shall provide the UNIVERSITY with [\*\*\*] of the amount of [\*\*\*] or it shall [\*\*\*].

In the event of [\*\*\*] [\*\*\*], the payment to UNIVERSITY shall be calculated as follows:

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**CONFIDENTIAL TREATMENT REQUESTED**

A = The [\*\*\*] payable by PIERIS to the UNIVERSITY shall be [\*\*\*] to PIERIS.

B = For [\*\*\*] covered by this Agreement, PIERIS shall pay [\*\*\*].

<u>B</u>	<u>A</u>
[***]	[***]
[***]	[***]
[***]	[***]
[***]	[***]

- 9.9 If and to the extent that, within the framework of joint research during PROJECT [\*\*\*], public or otherwise sponsored projects are carried out, the rights of the [\*\*\*] concerned as well as the obligations of the Parties under [\*\*\*] shall [\*\*\*].
- 9.10 Should PIERIS close down its business operation or face insolvency procedures, it shall immediately notify the UNIVERSITY in writing. In the event a petition in bankruptcy is filed, the UNIVERSITY shall have the first right of refusal on all patents, proportional patent rights and patent applications assigned to PIERIS.
- 9.11 As of [\*\*\*] of each consecutive year, PIERIS shall [\*\*\*] covered by this Agreement. In the case of [\*\*\*], PIERIS shall [\*\*\*]. An account statement prepared by [\*\*\*] shall be made available to the UNIVERSITY. [\*\*\*], the UNIVERSITY may appoint an independent, sworn auditor who will review the information provided by PIERIS, or, if [\*\*\*], examine the business records of PIERIS to obtain [\*\*\*] covered by this Agreement. PIERIS shall be required to provide the auditor with all data and materials needed for verification of the information. In the case of [\*\*\*], PIERIS shall [\*\*\*] to permit an audit by the auditor appointed by PIERIS. If the [\*\*\*], PIERIS shall absorb the cost of the audit, otherwise the UNIVERSITY shall absorb it. [\*\*\*]

All payments shall be made within [\*\*\*] from the payment due date. Payments per § 9, including the applicable value-added tax, shall be remitted into a bank account to be named by the UNIVERSITY.

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**CONFIDENTIAL TREATMENT REQUESTED**

The remittance shall be in EUR[\*\*\*] and with indication of the bank ID number to be provided by the UNIVERSITY.

**§ 10**

**Liability**

- 10.1 PIERIS develops and markets products, developed on the basis of this Agreement, for its own account and without the right of participation or opposition on the part of the UNIVERSITY. Accordingly, PIERIS [\*\*\*]. When marketing products that are also based on patents owned by UNIVERSITY, PIERIS shall provide to the UNIVERSITY, by [\*\*\*], proof of customary product liability insurance by submitting a copy of the respectively valid insurance policy for the products manufactured and marketed by PIERIS.
- 10.2 PIERIS shall [\*\*\*].
- 10.3 The Parties hereto assume no guarantee or liability for the patentability and the commercial exploitability of the rights that constitute the subject matter of this Agreement. Nor do the Parties hereto assume any guarantee or liability to the effect that the use of the patent rights under this Agreement would not interfere with industrial patents, copyrights or other rights of third parties nor lead to losses on the part of the licensee or of third parties.
- 10.4 The above disclaimers of liability shall be invalid in cases of malicious intent and gross negligence on the part of the Parties or their employees.

**§ 11**

**MISCELLANEOUS**

- 11.1 This Agreement in its present wording definitively governs the relations between the Parties with regard to the object of the Agreement. Collateral parol evidence does not exist or is voided. A notice of cancellation, any amendments and additions as well as a rescission of this Agreement must be in writing. Documentation supporting the content of this Agreement as well as any waiver of this written-form requirement must be in writing.

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**CONFIDENTIAL TREATMENT REQUESTED**

- 11.2 Should one or more of the provisions of this Agreement be or become invalid, the Parties shall be obligated to replace the invalid provisions with other, valid provisions the financial result of which comes so close to that of the invalid provisions that the Parties can be reasonably expected to have signed the Agreement with that clause as well.
- If such a solution cannot be found, the invalidity of one or several provisions of the Agreement shall not affect the validity of this Agreement in its entirety unless the significance of the invalid provisions is such that the Parties could be reasonably expected not to have signed this Agreement without the invalid stipulations.
- 11.3 Any disputes arising in connection with this Research and Licensing Agreement, its interpretation or execution or its validity, relating in particular to proprietary rights to the inventions per § 7, shall be negotiated and finally decided in the German language, admitting of no legal appeal, by an arbitration tribunal with three arbitrators, in accordance with the Arbitration Rules of the Deutsche Institution für Schiedsgerichtbarkeit e.V. (DIS) [German Institute for Arbitral Jurisdiction]. The arbitration tribunal may also make a binding decision on the validity of this arbitration clause. The venue of arbitration shall be Munich. The governing law shall be that of Germany.
- 11.4 Appendices 1 – 5 to this Agreement including the separately signed addenda to Appendices 1 and 5 constitute an essential, integral part of this Agreement.
- 11.5 By having the respective project director sign the research-project declaration form per Appendix 3, each Party hereto shall ensure that the project director concerned is made aware of the provisions of this Agreement and commits to abiding by these.
- 11.6 This Agreement shall also be binding on successors in title of both Parties. Specifically, a change in the corporate or ownership structure of the Parties shall not justify a cancellation of this Agreement for cause.

Freising, 26/6/2003

Freising, 04/07/2003

/s/ Martin Pöhlchen

/s/ Arne Skerra

PIERIS Proteolab AG

Technische Universität München

(stamp: TECHNISCHE UNIVERSITÄT MÜNCHEN)  
Contract Management & Legal Services

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**APPENDICES**

- Appendix 1**    **Project Description**
- Appendix 2**    **Confidentiality Agreement / Co-Worker's Declaration**
- Appendix 3**    **Project Director's Countersignature**
- Appendix 4**    **Material Transfer and Confidentiality Agreement**
- Appendix 5**    **Patent Rights**
  - I. Assigned Patent Rights**
  - II. Patent Rights exclusively licensed to PIERIS Proteolab AG**

*Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

APPENDIX 1

PROJECT DESCRIPTION

[\*\*\*]

[\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**APPENDIX 2**

**CO-WORKER'S DECLARATION**

On the Research Project titled: Advancement of the Anticalin Technology

between:

Technische Universität München  
Study Group: Prof. Skerra  
Chair of Biochemistry  
Freising/Weihenstephan

and:

PIERIS Proteolab AG, Freising/Weihenstephan

Name of Co-Worker: Mr./Ms. \_\_\_\_\_

As a co-worker participating in the above Research Project undertaken by the Parties named, I hereby pledge to PIERIS to treat as confidential the objective of this Research Project, the data received from PIERIS and the results of the work performed under the joint research and development programme. I have been informed of the confidentiality exception clauses with regard to publication per § 6 of the Agreement on which this Research Project is based. I have also been advised that materials transferred by PIERIS to the University or generated in the course of this cooperation must not be made available to third parties. I have understood these instructions and I pledge to comply with them.

\_\_\_\_\_  
Place, Date and Co-Worker's Signature

***Portions of the exhibit, indicated by the mark "[\*\*\*]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

APPENDIX 3

To  
Technische Universität München  
Central Department 6 – Legal Affairs  
ZA 6 – Dept. 62  
Arcisstr. 21

80333 München

Re- Research Project: Advancement of the Anticalin Technology

Declaration regarding the Research Project

I am aware that outside grants provided at my request and incorporated in the budget of the University are subject to the rules of budget compliance, unless the Grant Agreement contains different stipulations. I have taken note that [\*\*\*]% of the project funding will be going to the University as a contribution to its infrastructure.

In order to permit compliance with the obligations stated in the aforementioned Agreement, I shall bind all participants in the research project, whether or not in the employ of the University, through a signed pledge to observe the conditions of the Agreement and to take all actions necessary for the University to fulfil its obligations under the Agreement. All inventions generated within the scope of the research project will be promptly reported to the University Administration in a manner satisfying the requirements of Employee Invention Act § 5 sec. 1 and 2.

In addition, I shall take appropriate measures to ensure that all other conditions of the aforementioned Agreement as well can be properly fulfilled and that no consequential costs or other detriments arise to the University or to the Free State of Bavaria. Any additional expenditures incurred during or upon completion of the research project can be covered out of the outside funding granted to that effect or out of the institute's / department's budget.

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(seal)

\_\_\_\_\_  
Signature of Prof. Dr. Arne Skerra, Department Chair

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

APPENDIX 4

MATERIALS TRANSFER AND CONFIDENTIALITY AGREEMENT

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

[\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*



**Attachment A**

Description of Research Project:

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

**APPENDIX 5**

- 1) Patent Rights assigned by the UNIVERSITY to PIERIS [\*\*\*]
- 2) Patents exclusively licensed to PIERIS [\*\*\*]

*Portions of the exhibit, indicated by the mark “[\*\*\*],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

## INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT (this "Agreement") is made and entered into this     day of     , 2014, by and between Pieris Pharmaceuticals, Inc., a Nevada corporation (the "Company"), and     ("Indemnitee").

WHEREAS, qualified persons are reluctant to serve corporations as directors, officers or otherwise unless they are provided with broad indemnification and insurance against claims arising out of their service to and activities on behalf of such corporations; and

WHEREAS, the Company has determined that attracting and retaining such persons is in the best interests of the Company's stockholders and that it is reasonable, prudent and necessary for the Company to indemnify such persons to the fullest extent permitted by applicable law and to provide reasonable assurance regarding insurance;

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Company and Indemnitee, each intending to be legally bound, hereby agree as follows:

1. Defined Terms; Construction.

(a) Defined Terms. As used in this Agreement, the following terms shall have the following meanings:

"Board of Directors" means the Board of Directors of the Company.

"Change in Control" means, and shall be deemed to have occurred if, on or after the date of this Agreement, (i) any "person" (as such term is used in Sections 13(d) and 14(d) of the Exchange Act, as amended), other than (A) a trustee or other fiduciary holding securities under an employee benefit plan of the Company or any of its subsidiaries acting in such capacity, or (B) a corporation owned directly or indirectly by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company, is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing more than twenty percent (20%) of the total voting power represented by the Company's then outstanding Voting Securities, (ii) during any period of two (2) consecutive years, individuals who at the beginning of any such period constitute the Board of Directors and any new director whose election by the Board of Directors or nomination for election by the Company's stockholders was approved by a resolution of at least two-thirds (2/3) of the directors then still in office who either were directors at the beginning of the period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof, (iii) the stockholders of the Company approve a merger or consolidation of the Company with any other entity other than a merger or consolidation that would result in the Voting Securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into Voting Securities of the surviving entity) at least eighty percent (80%) of the total voting power represented by the Voting Securities of the Company or such surviving entity outstanding immediately after such merger or consolidation, (iv) the stockholders of the Company approve a plan of complete liquidation of the Company or an agreement for the sale or disposition by the

Company (in one (1) transaction or a series of related transactions) of all or substantially all of its assets, or (y) the Company shall file or have filed against it, and such filing shall not be dismissed, any bankruptcy, insolvency or dissolution proceedings, or a trustee, administrator or creditors committee shall be appointed to manage or supervise the affairs of the Company.

“Corporate Status” means the status of a person who is, becomes, was or may be deemed to be a director (or a member of any committee of the Board of Directors), officer, employee or agent (including without limitation a manager of a limited liability company or general partner of a limited partnership) of the Company or any of its subsidiaries, or of any predecessor thereof, or is, begins or was serving at the request of the Company as a director (or a member of any committee of the Board of Directors), officer, employee or agent (including without limitation a manager of a limited liability company) of another entity, or of any predecessor thereof, including service with respect to an employee benefit plan.

“Determination” means a determination that either (x) there is a reasonable basis for the conclusion that indemnification of Indemnitee is proper in the circumstances because Indemnitee met a particular standard of conduct (a “Favorable Determination”) or (y) there is no reasonable basis for the conclusion that indemnification of Indemnitee is proper in the circumstances because Indemnitee met a particular standard of conduct (an “Adverse Determination”). An Adverse Determination shall include the decision that a Determination was required in connection with indemnification and the decision as to the applicable standard of conduct.

“Exchange Act” means the Securities Exchange Act of 1934, as amended.

“Expenses” means all (i) attorneys’ fees and expenses, retainers, court, arbitration and mediation costs, transcription costs, fees and expenses of experts, witness and public relations consultants bonds and fees, traveling expenses, costs of collecting and producing documents, duplication costs, printing and binding costs, telephone charges, postage, delivery service fees and all other disbursements or expenses of the types customarily incurred in connection with prosecuting, defending, preparing to prosecute or defend, investigating, being or preparing to be a witness in, appealing or otherwise participating in a Proceeding or responding to, or objecting to, a request to provide discovery in any Proceeding, (ii) damages, judgments, fines and amounts paid in settlement and any other amounts that Indemnitee becomes legally obligated to pay (including any federal, state or local taxes and ERISA excise taxes imposed on Indemnitee as a result of receipt of reimbursements or advances of expenses under this Agreement) and (iii) the premium, security for, and other costs relating to any costs bond, supersedes bond or other appeal bond or its equivalent, whether civil, criminal, arbitrational, administrative or investigative with respect to any Proceeding actually and reasonably incurred by Indemnitee, or on Indemnitee’s behalf, because of any claim or claims made against or by him in connection with any Proceeding, whether formal or informal (including an action by or in the right of the Company), to which Indemnitee is, was or at any time becomes a party or a witness, or is threatened to be made a party to, participant in or a witness with respect to, by reason of Indemnitee’s Corporate Status.

“Independent Legal Counsel” means an attorney or firm of attorneys competent to render an opinion under the applicable law, selected in accordance with the provisions of Section 5(e), who has not performed any services (other than services similar to those contemplated to be performed by Independent Legal Counsel under this Agreement) for the Company or any of its subsidiaries or for Indemnitee within the last three years.

“NRS” means the Nevada Revised Statutes, as amended from time to time.

“Proceeding” means a threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, including without limitation a claim, demand, discovery request, formal or informal investigation, inquiry, administrative hearing, arbitration or other form of alternative dispute resolution, including an appeal from any of the foregoing.

“Voting Securities” means any securities of the Company that vote generally in the election of directors.

(b) Construction. For purposes of this Agreement,

(i) References to the Company and any of its “subsidiaries” shall include any corporation, limited liability company, partnership, joint venture, trust or other entity or enterprise that before or after the date of this Agreement is party to a merger or consolidation with the Company or any such subsidiary or that is a successor to the Company as contemplated by Section 8(e) (whether or not such successor has executed and delivered the written agreement contemplated by Section 8(e)).

(ii) References to “fines” shall include any excise taxes assessed on Indemnitee with respect to an employee benefit plan.

(iii) References to a “witness” in connection with a Proceeding shall include any interviewee or person called upon to produce documents in connection with such Proceeding.

2. Agreement to Serve.

Indemnitee agrees to serve as a director of the Company, an officer of the Company, or both, and/or to serve as a director, officer or both of one or more of the Company’s subsidiaries and in such other capacities as Indemnitee may serve at the request of the Company from time to time, and by its execution of this Agreement the Company confirms its request that Indemnitee serve as a director, officer and in such other capacities. Indemnitee shall be entitled to resign or otherwise terminate such service with immediate effect at any time, and neither such resignation, termination nor the length of such service shall affect Indemnitee’s rights under this Agreement. This Agreement shall not constitute an employment agreement, supersede any employment agreement to which Indemnitee is a party or create any right of Indemnitee to continued employment or appointment.

3. Indemnification.

(a) General Indemnification. The Company shall indemnify Indemnitee, to the fullest extent permitted by applicable law in effect on the date hereof or as amended to increase the scope of permitted indemnification, against Expenses, losses, liabilities, judgments,

finances, penalties and amounts paid in settlement (including all interest, taxes, assessments and other charges in connection therewith) incurred by Indemnitee or on Indemnitee's behalf in connection with any Proceeding connected with, resulting from or relating to Indemnitee's Corporate Status.

(b) Additional Indemnification Regarding Expenses. Without limiting the foregoing, in the event any Proceeding is initiated by Indemnitee, the Company or any other person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) to enforce or interpret this Agreement or any rights of Indemnitee to indemnification or advancement of Expenses (or related obligations of Indemnitee) under the Company's or any such subsidiary's articles or certificate of incorporation, bylaws or other organizational agreement or instrument of the Company, any other agreement to which Indemnitee and the Company or any of its subsidiaries are party, any vote of the stockholders or resolution of the directors of the Company or any of its subsidiaries, the NRS, any other applicable law or any liability insurance policy, the Company shall indemnify Indemnitee against Expenses incurred by Indemnitee or on Indemnitee's behalf in connection with such Proceeding in proportion to the success achieved by Indemnitee in such Proceeding and the efforts required to obtain such success, as determined by the court presiding over such Proceeding.

(c) Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for a portion of any Expenses, losses, liabilities, judgments, fines, penalties and amounts paid in settlement incurred by Indemnitee, but not for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for such portion.

(d) Nonexclusivity. The indemnification provided by this Agreement shall not be deemed exclusive of any rights to which Indemnitee may be entitled under the certificate of incorporation, bylaws or other organizational agreement or instrument of the Company or any of its subsidiaries, any other agreement, any vote of the stockholders or resolution of the directors, the NRS, any other applicable law or any liability insurance policy.

(e) Exceptions. Any other provision herein to the contrary notwithstanding, the Company shall not be obligated under the Agreement to indemnify Indemnitee:

(i) For Expenses incurred in connection with Proceedings initiated or brought voluntarily by Indemnitee and not by way of defense, counterclaim or crossclaim, except (x) as contemplated by Section 3(b), (y) in specific cases if the Board of Directors has approved the initiation or bringing of such Proceeding, and (z) as may be required by law.

(ii) For an accounting of profits arising from the purchase and sale by Indemnitee of securities within the meaning of Section 16(b) of the Exchange Act, or any similar provisions of any federal, state or local law if the final, non-appealable judgment of a court of competent jurisdiction finds Indemnitee to be liable for disgorgement under such Section 16(b).

(iii) On account of Indemnitee's acts or omissions that are established by a final adjudication as involving intentional misconduct, fraud or a knowing violation of the law and, in each case, that was material to the cause of action.

(iv) For which payment is actually made to Indemnitee under a valid and collectible insurance policy or under a valid and enforceable indemnity clause, bylaw or agreement, except in respect of any excess beyond payment actually received by Indemnitee under such insurance, clause, bylaw or agreement.

(v) if and to the extent indemnification is prohibited by applicable law.

(f) Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute such documents and do such acts as the Company may reasonably request to secure such rights and to enable the Company effectively to bring suit to enforce such rights.

#### 4. Advancement of Expenses.

To the fullest extent permitted by law, the Company shall pay all Expenses incurred by Indemnitee in connection with any Proceeding connected with, resulting from or relating to Indemnitee's Corporate Status, other than a Proceeding initiated by Indemnitee for which the Company would not be obligated to indemnify Indemnitee pursuant to Section 3(e)(i), in advance of the final disposition (in accordance with Section 5(c)) of such Proceeding and without regard to whether Indemnitee will ultimately be entitled to be indemnified for such Expenses and without regard to whether an Adverse Determination has been made, except as contemplated by the last sentence of Section 5(f). The right to advances under this Section 4 shall in all instances continue until final disposition of any Proceeding, including any appeal therein. Advances shall be made without regard to Indemnitee's ability to repay the Expenses and without regard to Indemnitee's ultimate entitlement to indemnification under the other provisions of this Agreement. Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, and Indemnitee shall repay such amounts advanced only if and to the extent that it shall ultimately be determined in a decision by a court of competent jurisdiction from which no appeal can be taken that Indemnitee is not entitled to be indemnified by the Company for such Expenses. The right to advancement described in this Section 4 is vested. Any repayment obligation shall be unsecured and shall not bear interest. The Company shall not impose on Indemnitee any additional conditions to advancement or require from Indemnitee additional undertakings regarding repayment.

#### 5. Indemnification Procedure.

(a) Notice of Proceeding; Cooperation. Indemnitee shall give the Company notice in writing as soon as practicable, and in any event, no later than thirty (30) days after Indemnitee becomes aware, of any Proceeding for which indemnification will or could be sought under this Agreement, provided that any failure or delay in giving such notice shall not relieve the Company of its obligations under this Agreement unless and to the extent that (i) none of the Company and its subsidiaries are party to or aware of such Proceeding and (ii) the Company is materially prejudiced by such failure or delay.

(b) Settlement. The Company will not, without the prior written consent of Indemnitee, which may be provided or withheld in Indemnitee's sole discretion, effect any settlement of any Proceeding against Indemnitee or which could have been brought against Indemnitee unless such settlement solely involves the payment of money by persons other than Indemnitee and includes an unconditional release of Indemnitee from all liability on any matters that are the subject of such Proceeding and an acknowledgment that Indemnitee denies all wrongdoing in connection with such matters. The Company shall not be obligated to indemnify Indemnitee against amounts paid in settlement of a Proceeding against Indemnitee if such settlement is effected by Indemnitee without the Company's prior written consent, which shall not be unreasonably withheld.

(c) Request for Payment; Timing of Payment. To obtain indemnification payments or advances under this Agreement, Indemnitee shall submit to a Company a written request therefor, together with such invoices or other supporting information as may be reasonably requested by the Company and reasonably available to Indemnitee. The Company shall make indemnification payments to Indemnitee no later than sixty (60) days, and advances to Indemnitee no later than twenty (20) days, after receipt of such written request from Indemnitee.

(d) Determination. The Company intends that Indemnitee shall be indemnified to the fullest extent permitted by applicable law as provided in Section 3 and that no Determination shall be required in connection with such indemnification. In no event shall a Determination be required in connection with the advancement of Expenses pursuant to Section 4 or in connection with the indemnification for Expenses incurred as a witness or incurred in connection with any Proceeding or portion thereof with respect to which Indemnitee has been successful on the merits or otherwise. Any decision that a Determination is required by law in connection with any other indemnification of Indemnitee, and any such Determination, shall be made within thirty (30) days after receipt of Indemnitee's written request for indemnification, as follows:

(i) If no Change in Control has occurred, (w) by a resolution of a majority of the directors of the Company who are not parties to such Proceeding, even if less than a quorum, with the advice of Independent Legal Counsel, or (x) by a committee of such directors designated by a resolution of a majority of such directors, even if less than a quorum, with the advice of Independent Legal Counsel, or (y) if there are no such directors, or if such directors so direct, by Independent Legal Counsel in a written opinion to the Company and Indemnitee, or (z) by the vote of holders of shares of capital stock of the Company then outstanding that vote generally in the election of directors.

(ii) If a Change in Control has occurred, by Independent Legal Counsel in a written opinion to the Company and Indemnitee.

The Company shall pay all Expenses incurred by Indemnitee in connection with a Determination.

(e) Independent Legal Counsel. If there has not been a Change in Control, Independent Legal Counsel shall be selected by the Board of Directors and approved by



Indemnitee (which approval shall not be unreasonably withheld or delayed). If there has been a Change in Control, Independent Legal Counsel shall be selected by Indemnitee and approved by the Company (which approval shall not be unreasonably withheld or delayed). The Company shall pay the fees and expenses of Independent Legal Counsel and indemnify Independent Legal Counsel against any and all expenses (including attorneys' fees), claims, liabilities and damages arising out of or relating to its engagement.

(f) Consequences of Determination; Remedies of Indemnitee. The Company shall be bound by and shall have no right to challenge a Favorable Determination. If an Adverse Determination is made, or if for any other reason the Company does not make timely indemnification payments or advances of Expenses, Indemnitee shall have the right to commence a Proceeding before a court of competent jurisdiction to challenge such Adverse Determination and/or to require the Company to make such payments or advances. Indemnitee shall be entitled to be indemnified for all Expenses incurred in connection with such a Proceeding in accordance with Section 3(b) and to have such Expenses advanced by the Company in accordance with Section 4. If Indemnitee fails to timely challenge an Adverse Determination, or if Indemnitee challenges an Adverse Determination and such Adverse Determination has been upheld by a final judgment of a court of competent jurisdiction from which no appeal can be taken, then, to the extent and only to the extent required by such Adverse Determination or final judgment, the Company shall not be obligated to indemnify or advance Expenses to Indemnitee under this Agreement.

(g) Presumptions; Burden and Standard of Proof. In connection with any Determination, or any review of any Determination, by any person, including a court:

(i) It shall be a presumption that a Determination is not required.

(ii) It shall be a presumption that Indemnitee has met the applicable standard of conduct and that indemnification of Indemnitee is proper in the circumstances.

(iii) The burden of proof shall be on the Company to overcome the presumptions set forth in the preceding clauses (i) and (ii), and each such presumption shall only be overcome if the Company establishes that there is no reasonable basis to support it.

(iv) The termination of any Proceeding by judgment, order, finding, settlement (whether with or without court approval) or conviction, or upon a plea of *nolo contendere*, or its equivalent, shall not create a presumption that indemnification is not proper or that Indemnitee did not meet the applicable standard of conduct or that a court has determined that indemnification is not permitted by this Agreement or otherwise.

(v) Neither the failure of any person or persons to have made a Determination nor an Adverse Determination by any person or persons shall be a defense to Indemnitee's claim or create a presumption that Indemnitee did not meet the applicable standard of conduct, and any Proceeding commenced by Indemnitee pursuant to Section 5(f) shall be *de novo* with respect to all determinations of fact and law.

6. Directors and Officers Liability Insurance.

(a) Maintenance of Insurance. So long as the Company or any of its subsidiaries maintains liability insurance for any directors, officers, employees or agents of any such person, the Company shall ensure that Indemnitee is covered by such insurance in such a manner as to provide Indemnitee the same rights and benefits as are accorded to the most favorably insured of the Company's and its subsidiaries' then current directors and officers. If at any date (i) such insurance ceases to cover acts and omissions occurring during all or any part of the period of Indemnitee's Corporate Status or (ii) neither the Company nor any of its subsidiaries maintains any such insurance, the Company shall ensure that Indemnitee is covered, with respect to acts and omissions prior to such date, for at least six years (or such shorter period as is available on commercially reasonable terms) from such date, by other directors and officers liability insurance, in amounts and on terms (including the portion of the period of Indemnitee's Corporate Status covered) no less favorable to Indemnitee than the amounts and terms of the liability insurance maintained by the Company on the date hereof.

(b) Notice to Insurers. Upon receipt of written notice of a Proceeding pursuant to Section 5(a), the Company shall give or cause to be given prompt notice of such Proceeding to all insurers providing liability insurance in accordance with the procedures set forth in all applicable or potentially applicable policies. The Company shall thereafter take all necessary action to cause such insurers to pay all amounts payable in accordance with the terms of such policies.

7. Exculpation, etc.

(a) Limitation of Liability. The liability of directors and officers of the Company shall be eliminated or limited to the fullest extent permitted by the NRS. If the NRS or such other applicable law shall be amended to permit further elimination or limitation of or authorize corporate action further eliminating or limiting the personal liability of directors and/or officers, then the liability of Indemnitee shall, automatically, without any further action, be eliminated or limited to the fullest extent permitted by the NRS or such other applicable law as so amended.

(b) Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or in the right of the Company or any of its subsidiaries against Indemnitee or Indemnitee's estate, spouses, heirs, executors, personal or legal representatives, administrators or assigns after the expiration of two (2) years from the date of accrual of such cause of action, and any claim or cause of action of the Company shall be extinguished and deemed released unless asserted by the timely filing of a legal action within such two (2) year period, *provided, however*, that if any shorter period of limitations is otherwise applicable to any such cause of action, such shorter period shall govern.

8. Miscellaneous.

(a) Non-Circumvention. The Company shall not seek or agree to any order of any court or other governmental authority that would prohibit or otherwise interfere, and shall not take or fail to take any other action if such action or failure would reasonably be expected to have the effect of prohibiting or otherwise interfering, with the performance of the Company's indemnification, advancement or other obligations under this Agreement.

(b) Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (i) the validity, legality and enforceability of the remaining provisions of this Agreement (including without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall not in any way be affected or impaired thereby and shall remain enforceable to the fullest extent permitted by law; (ii) such provision or provisions shall be deemed reformed to the extent necessary to conform to applicable law and to give the maximum effect to the intent of the parties hereto; and (iii) to the fullest extent possible, the provisions of this Agreement (including, without limitation, each portion of any section of this Agreement containing any such provision held to be invalid, illegal or unenforceable, that is not itself invalid, illegal or unenforceable) shall be construed so as to give effect to the intent manifested thereby.

(c) Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed duly given (i) on the date of delivery if delivered personally, upon confirmation of receipt, (ii) on the first business day following the date of dispatch if delivered by a nationally recognized courier service or (iii) on the third business day following the date of mailing if delivered by domestic registered or certified mail, properly addressed, or on the fifth business day following the date of mailing if sent by airmail from a country outside of North America, to Indemnitee at the address shown on the signature page of this Agreement, to the Company at the address shown on the signature page of this Agreement, or in either case at such address as subsequently modified by written notice to the other party.

(d) Amendment and Termination. No amendment, modification, termination or cancellation of this Agreement shall be effective unless it is in writing signed by all the parties hereto. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar), nor shall such waiver constitute a continuing waiver.

(e) Successors and Assigns. This Agreement shall be binding upon the Company and its respective successors and assigns, including without limitation any acquiror of all or substantially all of the Company's assets or business, any person (as such term is used in Sections 13(d) and 14(d) of the Exchange Act) that acquires beneficial ownership of securities of the Company representing more than twenty percent (20%) of the total voting power represented by the Company's then outstanding Voting Securities (unless waived by the majority of the Board of Directors as of immediately prior to such acquisition of beneficial ownership of securities of the Company) and any survivor of any merger or consolidation to which the Company is party, and shall inure to the benefit of and be enforceable by Indemnitee and Indemnitee's estate, spouses, heirs, executors, personal or legal representatives, administrators and assigns. The Company shall require and cause any such successor, by written agreement in form and substance satisfactory to Indemnitee, expressly to assume and agree to perform this Agreement as if it were named as the Company herein, and the Company shall not permit any such purchase of assets or business, acquisition of securities or merger or consolidation to occur

until such written agreement has been executed and delivered. No such assumption and agreement shall relieve the Company of any of its obligations hereunder, and this Agreement shall not otherwise be assignable by the Company. This Agreement is personal in nature and neither of the parties hereto shall, without the consent of the other, assign or delegate this Agreement or any rights or obligations. Without limiting the generality or effect of the foregoing, Indemnitee's right to receive payments hereunder shall not be assignable, whether by pledge, creation of a security interest or otherwise, other than by a transfer by Indemnitee's will or by estate law, and, in the event of any attempted assignment or transfer contrary to this Section 8(e), the Company shall have no liability to pay any amount so attempted to be assigned or transferred.

(f) Choice of Law; Consent to Jurisdiction. This Agreement shall be governed by and its provisions construed in accordance with the laws of the State of Nevada, as applied to contracts between Nevada residents entered into and to be performed entirely within Nevada, without regard to the conflict of law principles thereof. To the fullest extent permitted by law, and unless the Company consents in writing to the selection of an alternative forum, the Eighth Judicial District Court of Clark County, Nevada, shall be the sole and exclusive forum for all purposes in connection with any Proceeding which arises out of or relates to this Agreement.

(g) Integration and Entire Agreement. This Agreement sets forth the entire understanding between the parties hereto and supersedes and merges all previous written and oral negotiations, commitments, understandings and agreements relating to the subject matter hereof between the parties hereto, provided that the provisions hereof shall not supersede the provisions of the Company's or any such subsidiary's articles or certificate of incorporation, bylaws or other organizational agreement or instrument of the Company, any other agreement to which Indemnitee and the Company or any of its subsidiaries are party, any vote of the stockholders or resolution of the directors of the Company or any of its subsidiaries, the NRS, any other applicable law or any liability insurance policy, to the extent any such provisions shall be more favorable to Indemnitee than the provisions hereof.

(h) Counterparts. This Agreement may be executed in one or more counterparts, each of which shall constitute an original, and all of which together shall constitute one and the same agreement.

*[Remainder of this page intentionally left blank]*

IN WITNESS WHEREOF, the parties hereto have executed and delivered this Indemnification Agreement as of the date first above written.

**PIERIS PHARMACEUTICALS, INC.**

By: \_\_\_\_\_

Name:

Title:

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

AGREED TO AND ACCEPTED:

**INDEMNITEE**

By: \_\_\_\_\_

Name:

Title:

Address: \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

[Signature Page to Indemnification Agreement]

**Management Agreement (the "Agreement")**

between

1. **PIERIS AG**, Lise-Meitner-Straße 30, 85354 Freising-Weihenstephan, represented by the Supervisory Board  
- hereinafter referred to as the **"Company"**-  
and
2. **Stephen S. Yoder**, Herterichstrasse 65a, 81479 München  
- hereinafter referred to as the **"CEO"** -  
- Company and CEO herein collectively also referred to as the **"Parties"** -

**§ 1****Start and Term of the employment**

1. The employment shall commence on January 1, 2010, and is entered into for a period of 18 (eighteen) months (the "Term"), i.e. this Agreement will end on June 30, 2011. This Agreement will be extended automatically for 1 (one) year, unless it has been terminated in writing 6 (six) months prior to the end of the Term.
2. The right to effect termination without period of notice for due cause (*aus wichtigem Grund*) shall remain unaffected.
3. Any termination must be in writing.

**§ 2****Activity**

1. The CEO shall be employed as a Chief Executive Officer (*Vorstandsvorsitzender*). The field of work shall cover especially general management and business / corporate development. The CEO shall conduct the affairs of the Company with the due care and diligence of a prudent and conscientious business manager pursuant to the provisions of law, the Articles of Association, the Rules of Procedure for the Board of Managing Directors as issued by the Supervisory Board, and this Agreement. He shall safeguard the Company's interests and shall devote his full working capacity exclusively to the Company.
2. In connection with this Agreement and, unless explicitly agreed otherwise in writing, without any additional remuneration, the CEO shall, upon request of the Company, also assume or resign functions in other enterprises which are affiliated with the Company (sec. 15 German Stock Companies Act (AktG)). This shall apply accordingly with respect to honorary functions in associations and professional organizations, in which the Company or an affiliated company is a member.

3. The Company is entitled to release the CEO at any time from his work with the continued payment of his gross basic remuneration according to § 4 (1) and while offsetting his residual entitlement to vacation.
4. The place of work is Freising.

**§ 3**  
**Working hours**

1. The CEO shall dedicate his entire working capacity to the Company, at least 40 hours a week. The duration and the starting and finishing times of the daily working hours shall be determined by the CEO himself according to his set task within the respectively valid local working hours regulations, in which respect he must take account of operational interests and the respectively valid Company regulations.
2. The CEO is obliged to do overtime or additional work. Overtime is to be done as is required by the situation-related scope of work and in so far as this is legally permissible. The additional work is compensated by the regular salary according to § 4 (1).

**§ 4**  
**Salary, other benefits**

1. The CEO shall receive for his contractual employment an annual gross salary of EUR 210,000.00 (in words: Euro two-hundred thousand and ten), payable in twelve (12) equal monthly instalments through transfer to the account to be designated by the CEO with a bank located within Germany. The aforementioned instalments will be paid the last day of each month.
2. In addition to the remuneration provided for under § 4 (1), however, dependent upon the achievement of certain targets to be agreed on between the Parties, the CEO shall receive an annual bonus payment of EUR 50,000.00 (in words: Euro fifty-thousand) gross (the **“Bonus”**). The Bonus will be paid each year at year’s end, i.e. December 31, and will be paid pro rata temporis if the employment has not existed the entire year depending on the achievement of the agreed targets, whereby the determination of the fulfilment of the agreed targets is within the sole discretion of the Company.
3. The CEO shall be eligible to participate in the option pool in such way that the CEO shall be granted a stake of 2,5% in the Company (the **“Exit Fee”**) in the event of a sale of the shares in the Company or a sale of the assets of the Company (the **“Exit”**).
4. In the event of an Exit resulting in a purchase price exceeding EUR 150 Mio., the CEO shall be entitled to a success fee (the **“Success Fee”**). The Success Fee shall be calculated as follows:

Purchase Price > EUR 150 Mio. £EUR 200 Mio.

0,25% of all net proceeds (i.e. after deduction of all transaction costs).

Purchase Price > EUR 200 Mio. £EUR 250 Mio.

0,5% of all net proceeds (i.e. after deduction of all transaction costs).

Purchase Price > EUR 250 Mio. £ EUR 300 Mio.

0,75% of all net proceeds (i.e. after deduction of all transaction costs).

Purchase Price > EUR 300 Mio.

1,0% of all net proceeds (i.e. after deduction of all transaction costs).

5. In the event that (i) the Company terminates the Agreement pursuant to § 1 (1) and (ii) the net proceeds (i.e. after deduction of all transaction costs) exceed an amount of EUR 150 Mio., the Exit Fee and the Success Fee shall be reduced by 33% if the Exit is carried out within six (6) months after termination notice and by 67% if the Exit is carried out within twelve (12) months after termination notice. For the avoidance of doubt, in the event that (i) the Company terminates the Agreement without period of notice for due shall not be entitled to an Exit Fee and he shall not be entitled to a Success Fee.
6. In case of an additional dilutive financing round by the Company, the Exit Fee and the Success Fee may be adjusted by the supervisory board, accordingly, in good faith.
7. The Company will lease a car for the CEO. The Company shall bear all acquisition costs / costs of leasing and all running costs such as gasoline, repairs, insurances etc. (the “**Care Allowance**”). The Car Allowance shall be limited to a maximum of EUR 1,100 plus VAT per month. The CEO is entitled to use the car for private purposes. As far as this private use is taxable, any such taxes shall be borne by the CEO. The CEO shall return the car and any other equipment together with the relevant documentation, in particular the registration papers, to the Company at the end of the Term. The same shall apply if the Company releases the CEO from his work according to § 2 (4).
8. The Company shall also reimburse the relocation costs incurred to the CEO due to the relocation from his current domicile to a domicile near Freising upon submission of the respective receipts. The reimbursement of the relocations costs shall be limited to a maximum of EUR 10,000 (in words: Euro ten thousand).
9. The CEO undertakes to repay any overpayments of salary, including claims arising from the incorrect calculation of taxes and voluntary benefits, to the Company without delay. The CEO waives in this respect the assertion of a plea of a loss of enrichment according to § 818 (3) of the German Civil Code (*Bürgerliches Gesetzbuch*).



**§ 5**  
**Travel Expenses**

The CEO shall receive the reimbursement of his expenses at the fiscally recognized rates for trips, which are necessary in the Company's interest. All further details are regulated by the respective valid Company guidelines.

**§ 6**  
**Temporary incapacity to work,  
continued payment of salary in the event of illness**

1. The CEO shall notify the Company without delay of every instance of the temporary incapacity to work and its probable duration. On request, the reasons for the temporary inability to work must be indicated.
2. If the CEO is unable to work on account of the temporary incapacity to work due to illness for which he is not responsible, then the Company shall continue to pay his remuneration for a period of 3 (three) months, but no longer than the duration of this Agreement. Reimbursements made by third parties to this effect will be deducted.
3. The CEO shall assign his entitlement to compensation to the Company if he sustains injury at the hands of a third party and the Company continues to pay his salary in the case of illness. He is obliged to provide the Company without delay with all the information necessary to pursue said claims. The CEO shall remain obliged to pursue all claims against third parties.

**§ 7**  
**Leave**

1. The CEO shall receive 27 working days' leave every calendar year. The CEO will take the Company's respective interests into account.
2. As far as the CEO cannot take the leave until the end of the year due to reasons he is not responsible for, he may take the leave until June 30 of the following year; if the leave is not taken until that point in time, the claim for vacation shall forfeit without any replacement.
3. Leave shall only be granted leave pro rata temporis in the year of the commencement and the termination of this Agreement.

**§ 8**  
**Secondary employment  
and Non-compete obligation**

1. The CEO shall devote his entire working capacity and all of his knowledge, experience, and know-how to the service of the Company and the enterprises affiliated with it. The CEO is free to set his own working hours, which shall be subject to his responsibilities and the requirements of the business.

2. Any other gainful employment requires prior written approval by the Supervisory Board. The assumption of offices in supervisory bodies of other enterprises or of honorary positions in organizations requires prior written approval by the Company. Sec. 88 of the German Stock Corporation Act shall remain unaffected.
3. The Company may deny or, at any time, revoke its approval of a reported secondary activity only if the respective secondary activity, on its own or in conjunction with other secondary activities, raises the prospect of an impairment of the CEO's activity for the Company or for enterprises affiliated with it in the future, or of other interests of the Company or of enterprises affiliated with it in the future.
4. The CEO shall on request of the Company, at any time, but at the latest on termination of this Agreement, resign any offices in supervisory bodies of other enterprises or honorary positions in organizations he assumed in the interest of the Company.
5. The CEO shall not be permitted, during the Term, to set up, purchase or participate directly or indirectly in any company, which is in competition with the Company. The purchase of shares of stock and / or business interests, which causes neither any majority shareholding nor any blocking minority within such an enterprise, shall not be barred according to the above mentioned restraint. This Non-Compete Covenant shall only apply to the business areas of activity the Manager was engaged in while performing his contractual duties during the past two years before the end of this Management Agreement. At present, this relates to the areas of activity concerning the discovery and development of Anticalins. This Non-Compete Covenant shall only apply to the geographical region the CEO was engaged in while performing his contractual duties during the past two years before the end of this Service Contract.

## **§ 9**

### **Professional development**

The costs for professional development measures, which are in the Company's interest, shall be borne by the Company.

## **§ 10**

### **Notification of alterations to personal details**

The CEO must notify the Company without delay of alterations to his personal status and alterations to other data which is contained in the personnel questionnaire.

## **§ 11**

### **Duty of care; return obligation**

1. The CEO shall be obliged to hold the articles put at his disposal (e.g. keys, electronic data, etc.) in safekeeping.
2. At the Company's request and at the latest when he leaves Company's service, the CEO shall return to the Company without delay and without being requested to do so all files and other documents which concern the business operations of the Company or its

affiliated companies which are in his possession or subject to his access - especially all plans, customer lists, price lists, printed matter, certificates, drawings, notes, drafts - and also copies of the said articles, regardless of whether he received them from the Company or from its affiliated companies.

## **§ 12**

### **Confidentiality obligation**

1. The CEO undertakes to maintain secrecy on all business and company secrets, which he learns during his employment, and also on all other business and company facts of the employment. This shall not apply to facts, which are public knowledge.
2. The confidentiality obligation shall also apply to the time after the termination of the employment.
3. During the period of the employment and any time thereafter, the CEO is also obliged to maintain secrecy on the contents of this contract.
4. A breach of this unconditional obligation shall constitute a serious infringement of the CEO's contractual employment obligations, which if repeated entitles the Company to terminate the employment without notice period.

## **§ 13**

### **IP Protection**

1. The CEO shall disclose and assign to the Company promptly and fully any future work (including computer software programs) and any invention, improvement, discovery, process, formula, technique, method, trade secret, or other intellectual property, whether or not patentable, whether or not copyrightable, that is made, conceived, developed, or first reduced to practice, either alone or jointly with others, including any associated trade marks, trade names and good will in the area of the Company's business field as described in § 2 of the Articles of Association of the Company and all rights to any related know-how (hereinafter referred to as "Inventions").
2. The CEO hereby assigns to the Company all of his or his right, title and interest in and with respect to any future Inventions, including in particular the right to copy, disseminate, transfer to third parties, (sub-) license exclusively or non-exclusively, adapt and/or modify any such Invention and to apply for intellectual property rights in the Company's own name. To the extent the assignment should not be legally valid, the CEO hereby grants to the Company an exclusive license to use such Invention as described for the entire life of such right. The CEO hereby waives any moral rights he may have under copyright laws, including in particular the right to publish any work, the right to be named as author and the right of access to any work, to the extent legally permitted.
3. Such assignment or license shall be deemed compensated by the regular salary according to § 4 (1) above. The parties assume, and hereby agree, that the salary is an appropriate compensation for such assignment or license.

**§ 14**

**Ancillary agreements and contractual amendments**

Verbal ancillary agreements to this contract have not been made. Amendments and supplements to this contract must be made in writing in order to be effective. The same shall apply to this requirement of the written form.

**§ 15**

**Expiry deadlines**

1. The claims of both parties arising from the employment and such claims in connection with the employment shall lapse if they have not been asserted in writing against the other contracting party within three months after falling due.
2. If the counter-party rejects the claim or does not reply within two weeks after the assertion of the claim, then the said claim shall lapse if it is not asserted in court within a period of 3 further months after the rejection or the expiry of the deadline. This shall not apply to claims for payment of the CEO which fall due during dismissal proceedings and which depend on the outcome of the proceedings. For these claims, the expiry deadline of three months shall commence after the final and absolute conclusion of the unlawful dismissal proceedings.

**§ 16**

**Miscellaneous**

1. If a provision of this contract is or becomes legally ineffective or unfeasible in whole or in part, then the validity of the remaining provisions of this contract shall not thus be affected in case of doubt. On the contrary, the provision, which is legally ineffective or unfeasible in whole or in part, is to be replaced by a provision, which is closest in commercial terms to the meaning and purpose of the provision, which is ineffective or unfeasible in whole or in part. The same shall apply in the case of gaps in this contract.
2. If, as a result of an alteration to the legislation or Supreme Court rulings or on account of other circumstances, a provision of this contract becomes invalid, then the provision shall automatically be adapted in line with the new legal position. The validity of the remaining provisions shall not thus be affected.
3. Any amendment to this Agreement shall only be effective when entered into in writing and signed on behalf of both Parties.
4. This Agreement shall be governed exclusively by German law.

**§ 17**  
**Copy of contract**

The CEO confirms by his own signature that he has received a written copy of this contract.

Freising, Aug. 30 2009

30. Aug 2009

/s/ Hans Küpper  
Company

/s/ Stephen S. Yoder  
CEO

**Amendment Agreement**

between

1. **Pieris AG**, represented by the Supervisory Board, Lise-Meitner-Straße 30, 85354 Freising-Weißenstephan

- hereinafter the “**Company**” -,

and

2. **Stephen S. Yoder**, Poccistr. 11, 85375 Neufahrn

- hereinafter the “**CEO**” -,- Company and CEO hereinafter collectively the “**Parties**”, each of them also the“**Party**” —**Preamble**

**Whereas**, the Parties entered into a Management Agreement dated as of August 30, 2009 (hereinafter the “**Management Agreement**”), by which the Company employed the CEO as a Chief Executive Officer (*Vorstandsvorsitzender*) for the term of 18 months, i.e. from January 1, 2010, until June 30, 2011.

**Whereas**, this term extended automatically for one further year, i.e. until June 30, 2012.

**Whereas**, the Parties want to extend the term of the CEO’s employment at least once more.

**NOW THEREFORE**, the Parties agree as follows:

**§1****Extension of the term of employment**

§ 1 para 1 of the Management Agreement shall be amended as follows:

“The employment shall commence on January 1, 2010, and is entered for a term of 18 (eighteen) months, i.e. this Agreement will end on June 30, 2011. This Agreement will be extended once or more times automatically for 1 (one) year, unless it has been terminated in writing 6 (six) months prior to the end of the respective term, provided that the total term does not exceed 5 (five) years (i.e. until December 31, 2014 at the latest). Therefore, the last possible extension of the term shall be only for a term of 6 (six) months, i.e. from July 1, 2014 until December 31, 2014.”

**§2**  
**Final provisions**

1. All provisions of the Management Agreement which were not explicitly amended by this Amendment Agreement shall remain unaffected and in force.
2. Amendments or modifications to this Amendment Agreement require written form to be effective. The same shall apply to a modification or abrogation of this written form requirement.
3. In case single provisions of this Amendment Agreement are or prove to be invalid or not enforceable or in case this Amendment Agreement should contain gaps, the binding force and effectiveness of the other provisions of this Amendment Agreement shall remain unaffected. The invalid or unenforceable provision shall be replaced by such provision(s) which the Parties would have foreseeably agreed upon had they had knowledge of the invalidity, un-enforceability or the gap as of the time of the signing of this Amendment Agreement. Should a provision be or prove to be invalid for the stipulated ex-tent and scope of the respective obligation contained therein, the scope and extent of such obligation shall be adjusted to match the legally admissible ex-tent and scope of obligation.
4. This Amendment Agreement shall be governed by the laws of the Federal Republic of Germany save for its conflict of law provisions.

Freising-Weihestephan, December 6, 2011

Neufahrn, March 12, 2012

/s/ Hans Küpper

/s/ Stephen S. Yoder

Company

CEO

## AMENDED AND RESTATED MANAGEMENT AGREEMENT

between

1. **PIERIS AG**, Lise-Meitner-Straße 30, 85354 Freising-Weihenstephan, represented by its Supervisory Board

- hereinafter referred to as the “Company”-

and

2. **Stephen S. Yoder**, Herterichstrasse 65a, 81479 München

- hereinafter referred to as the “Executive”-

- Company and Executive herein collectively also referred to as the “Parties” -

RECITALS

WHEREAS, by resolution adopted by the Supervisory Board on December 17, 2009, the Executive was appointed to the Management Board to serve as Chairman of the Management Board (*Vorstandsvorsitzender*) of the Company for a term from January 1, 2010 to December 31, 2014.

WHEREAS, Pieris Pharmaceuticals, Inc., a Nevada corporation (“Pieris US”), effective as of December 17, 2014 (the “Effective Date”), will acquire all shares of the Company (“Acquisition Transaction”) making the Company a wholly owned subsidiary of Pieris US (the “Effective Date”). The Executive has entered into a separate employment agreement with Pieris US as of the Effective Date (the “US Employment Agreement”).

WHEREAS, the Company desires to continue to employ Executive as a member of the management board (*Vorstand*) pursuant to the terms of this Amended and Restated Management Agreement effective as of December 17, 2014 (the “Amended and Restated Management Agreement”) and Executive desires to accept such employment, subject to the terms and conditions contained in this Agreement. This Agreement shall replace and lift the current management agreement between the Company and the Executive dated August 30, 2009 as amended on March 12, 2012 except for any bonus to be paid, if any, pursuant to Section 4(2) solely for the year ended December 31, 2014.



NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the Parties agree as follows:

**1. Employment.**

(a) Term of Agreement. This Agreement shall become effective on the Effective Date immediately after the closing of the Acquisition Transaction and shall continue unless terminated in accordance with the terms and conditions contained in Sections 3 and 4 of this Agreement (the "Term").

(b) Position and Duties. The Executive shall be employed as Chairman of the Management Board (*Vorstandsvorsitzender*) and bear the title "Chief Executive Officer". In conjunction with the other appointed members of the Management Board, the Executive shall conduct the affairs of the Company with the due care and diligence of a prudent and conscientious business manager pursuant to the provisions of law, the Articles of Incorporation, the Rules of Procedure for the Management Board as issued by the Supervisory Board, a plan for the allocation of duties, and this Agreement. The Executive shall always act exclusively for the good of the Company and of any enterprises affiliated with it in the future and shall, to be best of his ability, support and promote its interests and objectives, in particular the enhancement of the Company's profits and shareholder value. The Executive is obligated to assume, upon demand by the Supervisory Board, Supervisory Board mandates or a seat in similar supervisory bodies in other companies that are affiliated with the Company as well as managerial functions at subsidiaries or enterprises affiliated with the Company. He shall resign from such positions at any time upon demand by the Supervisory Board, and no later than upon the termination of his appointment as the Chief Executive Officer of Pieris US.

(c) Location. Executive shall perform services for the Company at the Company's registered seat.

**2. Compensation and Related Matters.**

(a) Base Salary. Executive's annual base gross salary ("Base Salary") will be \$375,000 in U.S Dollars or denominated in Euro pursuant to the respective spot rate at payment, less payroll deductions and all required withholdings, payable in twelve (12) equal monthly installments through transfer to the account to be designated by the Executive with a bank located within Germany. The aforementioned installments will be paid the last day of each month and in accordance with normal payroll practices at Company. The Supervisory Board or a committee of the Supervisory Board shall review Executive's Base Salary periodically and any adjustments to Executive's Base Salary, if any, will be made solely at the discretion of the Supervisory Board or a committee of the Supervisory Board.

(b) Bonus. Executive shall also be eligible for an annual discretionary bonus of up to 40% of Executive's then-Base Salary (the "Target Bonus Amount") as determined by the Supervisory Board or a committee of the Supervisory Board in its sole discretion, based upon the Supervisory Board's or a committee of the Supervisory Board's evaluation (in its sole discretion) of the achievement of specific individual and/or Company-wide performance goals as chosen and determined by the Supervisory Board or a committee of the Supervisory Board in its sole discretion. The annual discretionary bonus, if any, shall be payable, less authorized deductions and required withholdings, no later than March 15<sup>th</sup> of the calendar year immediately following the calendar year in which it was earned. The Target Bonus Amount of any annual discretionary bonus for which Executive is eligible shall be reviewed by the Supervisory Board or a committee of the Supervisory Board from time to time.

(c) Benefits. During the Term, the Company shall provide Executive with coverage under all employee benefit programs, plans and practices as are in effect from time to time and which Company, makes available from time to time to its senior executive officers, with at least the same opportunity to participate as the other senior executive officers of Company including, without limitation, if applicable, retirement, pension, medical, dental, hospitalization, life insurance, short and long term disability, accidental death and dismemberment and travel accident coverage; provided, however, that notwithstanding the foregoing, Company shall only be responsible for 50% of the total cost of health insurance for Executive's spouse and children while Executive remains employed outside the United States pursuant to this Agreement.

(d) Vacation and Fringe Benefits. Executive shall be entitled to four (4) weeks paid vacation in each calendar year (pro-rated as necessary for partial calendar years during the Term). Executive may take his vacation at such times consistent with the vacation policies as are in effect from time to time with respect to senior executive officers. Executive shall be entitled to the perquisites and fringe benefits which the Company make available from time to time to its senior executive officers, commensurate with Executive's position with the Company. If the Executive is unable to use some or all of his vacation time by year's end owing to business or personal reasons, he remains entitled to said vacation time by March 31 of the subsequent year. If some or part of the vacation time cannot be used by that date owing to business reasons, the vacation claim lapses. The vacation shall be compensated according to the salary pursuant to this Section 2.

(e) Working Hours. Executive shall dedicate his entire working capacity to the Company and its Affiliates, at least 40 hours a week. The duration and the starting and finishing times of the daily working hours shall be determined by the Executive himself according to his set task within the respectively valid local working hours regulations, in which respect he must take account of operational interests and the respectively valid Company regulations. The Executive is obliged to do overtime or additional work. Overtime is to be done as is required by the situation-related scope of work and in so far as this is legally permissible. The additional work is compensated by the regular salary according to this Section 2.

(f) Temporary Incapacity to Work. The Executive shall notify the Company without delay of every instance of the temporary incapacity to work and its probable duration. On request, the reasons for the temporary inability to work must be indicated. If the Executive is unable to work on account of the temporary incapacity to work due to illness for which he is not responsible, then the Company shall continue to pay his remuneration for a period of 3 (three) months. Reimbursements made by third parties to this effect will be deducted. The Executive shall assign his entitlement to compensation to the Company if he sustains injury at the hands of a third party and the Company continues to pay his salary in the case of illness. He is obliged to provide the Company without delay with all the information necessary to pursue said claims. The Executive shall remain obliged to pursue all claims against third parties.

(g) Business Expenses. During the Term, the Company shall reimburse Executive for all reasonable business expenses incurred in the conduct of Executive's duties hereunder in accordance with the applicable expense reimbursement policies. The expenses shall in each case be documented in accordance with tax law, unless flat-rate amounts permitted under tax law are settled.

(h) Automobile Allowance. While employed outside the United States pursuant to this Agreement, Company shall provide Executive with a reasonable monthly automobile allowance for a car in connection with the performance of his duties under this Agreement. Subject to reasonable documentation thereof, Company shall reimburse Executive for all reasonable expenses related to such automobile, including, without limitation, maintenance and repairs, insurance, gasoline, tolls, and parking-related fees and the Company shall withhold from such payment all amounts required to be deducted or withheld under applicable law. The Executive bears the taxes of private usage.

(i) Relocation and Housing. In the event that Executive relocates to the United States, the Company will pay or reimburse Executive for the reasonable costs and expenses in an amount not to exceed \$25,000 in U.S Dollars to cover moving and relocation expenses, temporary living expenses and one family house hunting trip ("Relocation Expenses") and the Company shall withhold from such payment all amounts required to be deducted or withheld under applicable law. All Relocation Expenses will be paid within 30 days of Executive's submission of documentation of those expenses. If Executive terminates his employment other than for a Covered Termination prior to the second anniversary of the earlier of the relocation or the initial payment of the Relocation Expenses the Executive expressly acknowledges and agrees that the Executive shall reimburse the Company for the pro-rated net amount of all Relocation Expenses received within thirty days following such termination.

### **3. Termination.**

(a) Term. This Agreement commences on the Effective Date and is subject to the condition precedent of the occurrence of the Acquisition Transaction. It is entered into for a fixed term running to the first (1<sup>st</sup>) anniversary of the Effective Date, provided, however, that this Agreement shall automatically expire upon expiration of the US Employment Agreement. By no later than 90 days prior to the expiration of this Agreement, except where the US Employment Agreement has already expired or termination notice has been given under the US Employment Agreement or this Agreement, the chairman of the Supervisory Board shall inform the Executive whether the Supervisory Board has reappointed the Executive as member of the Management Board and whether it is prepared to extend the contract of employment with him in keeping with the term of the reappointment or to enter into a new contract of employment subject to different terms and conditions. The Executive shall thereupon state within 30 days whether he accepts the reappointment and is prepared to agree to the terms and conditions offered for the continuation or renewal of the contract of employment.

(b) Termination. Both Parties may ordinarily terminate (*ordentlich kündigen*) this Agreement upon ninety (90) calendar days' notice or upon such shorter notice as Executive and the Company shall agree, to the respective other Party. The termination of this Agreement for cause (*außerordentliche Kündigung*) remains unaffected for both Parties. Any notice of termination shall be provided in writing. In each case of termination, the Company may, at its own discretion, and independently of the effectiveness of the termination and with reservation of its other rights, release the Executive from his activity for the Company or entrust him with other responsibilities that may be regarded as appropriate with respect to the professional qualifications of the Executive.

### **4. Obligations upon Termination of Employment.**

#### **(a) Executive's Obligations.**

(i) Confidentiality. Executive shall not during the Term and thereafter, without the prior written consent of the Company, knowingly (i) divulge, disclose or make accessible any Confidential Information (as defined below) to any other person, firm, partnership, corporation or other entity or (ii) use any Confidential Information for his own purposes or for the benefit of any other person, firm, partnership, corporation or other entity (other than the Company), except (x) during the Term, in the business of and for the benefit of the Company or (y) when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such Confidential Information or by state, federal, foreign or local law, rule or

regulation; provided that, in the event that Executive is so required to disclose Confidential Information, Executive shall, prior to making any such disclosure, provide the Company with prompt written notice of such requirement so that the Company may seek an appropriate protective order. For purposes of this Agreement, "Confidential Information" shall mean all confidential Company data, analyses, reports, interpretations, forecasts, documents and information concerning the affairs of the Company and its Affiliates, including, without limitation, confidential financial data, strategic business plans, computer programs and documentation, product development data (or other proprietary product data), customer lists and customer information, discoveries, practices, policies, processes, methods, marketing plans, prospects, opportunities and other proprietary information in whatever form, tangible or intangible; provided that Confidential Information shall not include (x) information that has become generally available to the public other than as a result of disclosure by Executive in a manner violative of this Section 4, or (y) information that is rightly received by Executive without restriction on disclosure from a third party legally entitled to possess and disclose such information without restriction (other than information that Executive may learn or has learned by reason of his association with any Affiliate). Upon conclusion of the Term or at any point prior on request of the Company, Executive shall immediately return to the Company all Confidential Information, including copies, reproductions and summaries thereof, in his possession and shall erase all such Confidential Information from all media in his possession, and, if the Company so requests, shall certify in writing that he has done so. All Confidential Information is and shall remain the property of the Company and its Affiliates.

(ii) Non-Competition. During the Term and twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Supervisory Board (which the Supervisory Board may grant or withhold in its discretion): he shall not, directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor; lender or employee, or in any other capacity (and whether or not for compensation) carry on, be engaged in or employed by, be a consultant or provide assistance to or have any financial interest in, any Competing Entity, except that it will not be deemed a breach of this Section 4(a)(iii) if Executive is an investor or stockholder of not more than two (2%) percent of the equity securities of any entity.

(iii) Non-Solicitation. During the Term and for twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Supervisory Board, he shall not, on his own behalf or on behalf of any person or entity, directly or indirectly, (a) solicit for employment any employee who has been employed by the Company or any Affiliate at any time during the twelve (12) months immediately preceding such solicitation or offer or (b) solicit for the business of or provide services to any client, customer, or vendor of the Company or any Affiliate for which he or any subordinate provided services during the Term.

(iv) Intellectual Property. All Intellectual Property (as defined below) and Technology (as defined below) created, developed, obtained or conceived of by Executive during the Term, and all business opportunities presented to Executive during the Term shall be owned by and belong exclusively to the Company, provided that they directly relate to the business of the Company, as of the date of such creation, development, obtaining or conception, and Executive shall (i) promptly disclose to the Company any such Intellectual Property or Technology or any viable business opportunity presented by a third party to Executive during the Term and which the Company has not rejected and (ii) execute and deliver to the Company, without additional compensation, such instruments (such as assignments of any Intellectual Property to the Company) as the Company may require from time to time to evidence its ownership of any such Intellectual Property or Technology or business opportunity. For purposes of this Agreement, (x) the term "Intellectual Property" shall mean and include any and all trademarks, trade names, service marks, service names, patents, copyrights and applications therefor and (y) the term "Technology" shall mean and include any and all trade secrets, proprietary information, inventions, discoveries, know-how, formulae, processes and procedures. Such assignment or license shall be deemed compensated by the remuneration according to this Agreement. The German Employee Invention Act (*Arbeitnehmererfindungsgesetz*) shall not apply.

(v) Non-disparagement. During the Term and at all times thereafter, Executive shall not make, or cause to be made, any statement or communicate any information (whether oral or written) that disparages or reflects negatively on the Company or its Affiliates, officers, directors, board members, investors, shareholders, agents or employees.

(vi) Response to Legal Process. Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist such counsel in resisting or otherwise responding to such process.

(vii) Survival of Provisions. The provisions of this Section 4 shall survive the termination or expiration of the applicable Executive's employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction that any restriction in this Section 4 is excessive in duration or scope or is unreasonable or unenforceable under the laws of that jurisdiction, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that jurisdiction.

## 5. Miscellaneous Provisions.

(a) Withholdings and Offsets. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise. The Executive undertakes to repay any overpayments of salary, including claims arising from the incorrect calculation of taxes and voluntary benefits, to the Company without delay. The Executive waives in this respect the assertion of a plea of a loss of enrichment according to § 818 (3) of the German Civil Code (*Bürgerliches Gesetzbuch*).

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Amendments or Modifications. Amendments or modifications to this Agreement require written form to be effective. The same shall apply to a modification or abrogation of this written form requirement.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the Federal Republic of Germany without reference to the conflict of law.

(e) Severability. In case single provisions of this Agreement are or prove to be invalid or not enforceable or in case this Agreement should contain gaps, the binding force and effectiveness of the other provisions of this Agreement shall remain un-affected. The invalid or unenforceable provision shall be replaced by such provision(s) which the parties would have foreseeably agreed upon had they had knowledge of the invalidity, unenforceability or the gap as of the time of the signing of this Agreement. Should a provision be or prove to be invalid for the stipulated extent and scope of the respective obligation contained therein, the scope and extent of such obligation shall be adjusted to match the legally admissible extent and scope of obligation.

(f) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement.

This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive's own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party hereto and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(g) Priority of This Agreement. In case of differences between this Agreement and the US Employment Agreement, this Agreement shall prevail over the US Employment Agreement.

**6. Definition of Terms.** The following terms referred to in this Agreement shall have the following meanings:

(a) Affiliates. "Affiliates" means the definition pursuant to §§ 15 *et seq.* German Stock Corporation Act (*Aktiengesetz*) which includes, without limitation, Pieris U.S. for so long as the Company is a wholly-owned subsidiary thereof.

(b) Competing Entity. "Competing Entity" shall mean any person or entity which is engaged in any phase of the business of developing, manufacturing and marketing of products which compete with the Company and/or any of its Affiliates.

(c) Competing Position. "Competing Position" shall mean engaging, directly or indirectly, in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-owner, consultant, or member of any association or otherwise, in any Competing Entity..

*(Signature page follows)*



IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

**Pieris AG**

By: /s/ Chau Q. Khuong  
Name: Chau Q. Khuong  
Title: Chairman of the Supervisory Board

**EXECUTIVE**

/s/ Stephen S. Yoder  
Name: Stephen S. Yoder

*Signature Page to Amended and Restated Management Agreement*

**Acknowledgement and Waiver Agreement**

between

1. **PIERIS AG**, Lise-Meitner-Straße 30, 85354 Freising-Weihenstephan, represented by its Supervisory Board

- hereinafter referred to as the “**Company**” -

2. **Stephen S. Yoder**, Poccistr. 11, 85375 Neufahrn b. Freising

- hereinafter referred to as the “**CEO**” -

- Company and CEO herein collectively also referred to as the “**Parties**” -

The Parties have concluded a management agreement on 30 August 2009 as amended on March 12, 2012 (the “**Management Agreement**”). Pursuant to clause 4.3 of the Management Agreement, the CEO shall be eligible to participate in the option pool in such way that the CEO shall be granted a stake of 2.5 % in the Company in an event of a sale of the shares in the Company or a sale of the assets of the Company.

The Company intends to enter into an acquisition agreement with Marika Inc. (to be renamed Pieris Pharmaceuticals, Inc.) and the holders of 100% of the outstanding shares of the Company’s capital stock (the “**Shareholders**”), by which, inter alia, the Shareholders (a) contribute, transfer, assign and deliver all of their shares in the Company to Marika Inc. in exchange for shares of common stock in Marika Inc. with the result of the Company becoming a wholly-owned subsidiary of Pieris Pharmaceuticals, Inc. (f/k/a, Marika Inc.) (the “**Transaction**”).

Hereby, the Parties expressly acknowledge and agree that the Transaction (i) shall not be deemed as the Exit within the meaning of clause 4.3 of the Management Agreement, based on the Parties’ original intention and understanding at the time they entering into the Management Agreement, and therefore, (ii) shall not result in a granting of the Exit Fee within the meaning of such clause 4.3. For the avoidance of doubt, the CEO waives any such claims, in connection with the Transaction, under clause 4.3 of the Management Agreement, and the Company accepts this waiver.

This Waiver Agreement shall be governed exclusively by German law.

Freising, 2 December 2014

München, 12 December 2014

**PIERIS AG**

**STEPHEN S. YODER**

/s/ Chau Khuong

/s/ Stephen S. Yoder

By: Khuong, Chau

Its: Chairman of the Supervisory Board

**PIERIS AG \_Stephen S. Yoder**

## EMPLOYMENT AGREEMENT

This Employment Agreement (the "Agreement") is made and entered into by and between Stephen S. Yoder ("Executive") and Pieris Pharmaceuticals, Inc., a Nevada corporation (the "Company") (together referred to herein as the "Parties"), effective as of December 17, 2014, the date of the closing of the Acquisition Transaction which will result in Pieris AG, a company organized under the laws of Germany ("Pieris Operating"), becoming a wholly owned subsidiary of the Company (the "Effective Date").

RECITALS

WHEREAS, the Company desires to employ Executive as President and Chief Executive Officer of the Company and to continue the Executive as a member of the management board (*Vorstand*, "Chief Executive Officer of Pieris Operating") pursuant to the terms of an Amended and Restated Management Agreement between Pieris Operating and Executive effective as of December 17, 2014 (the "Management Agreement") and Executive desires to accept such employment, subject to the terms and conditions contained in this Agreement,

NOW, THEREFORE, in consideration of the premises and mutual covenants contained herein, and for other good and valuable consideration, the receipt and adequacy of which is hereby acknowledged, the parties agree as follows:

**1. Employment.**

(a) Term of Agreement. This Agreement shall become effective on the Effective Date immediately after the closing of the Acquisition Transaction and shall continue unless terminated in accordance with the terms and conditions contained in Sections 3 and 4 of this Agreement (the "Term"). Executive's employment shall at all times be "at-will".

(b) Position and Duties. Subject to the terms and conditions of this Agreement and the Management Agreement, the Company agrees to employ Executive during the Term as (i) the Company's President and Chief Executive Officer and as such he shall report to the Board of Directors of the Company (the "Board") and (ii) as the Chief Executive Officer of Pieris Operating and as such he shall report to the Supervisory Board of Pieris Operating. In such positions, Executive shall perform such duties and bear the responsibilities as are customarily performed by a president and chief executive officer of a company the size and nature of each of the Company and Pieris Operating and such other lawful duties and responsibilities reasonably consistent with the positions of president and chief executive officer as, from time to time, may be assigned to him by the Board or the Board of Directors of Pieris Operating, as applicable. Executive shall serve, without additional compensation as a member of the Board and of the Board of Pieris Operating during the Term, subject to any required approvals.

(c) Location. Executive shall perform services for the Company and Pieris Operating at the Company's offices located in Freising-Weihestephan, Germany or, In the United States or any other place at which the Company maintains an office; *provided, however*, that the Company may from time to time require Executive to travel temporarily to other locations in connection with the Company's business.

(d) Exclusivity.

(i) During the Term, Executive shall devote all of Executive's business time and energies to the business and affairs of Company and its Affiliates and to the faithful and diligent performance of the duties and responsibilities described herein. During the Term, Executive shall not (A) accept any other employment or consultancy or (B) serve on the board of directors or similar body of any other entity, unless such position is approved by the Chairman of the Board as set forth in subsection (d)(ii) below (which such approval shall continue until such time as the Company provides notice to Executive that, in its reasonable judgment, such position is with a Competing Entity, interferes with Executive's duties to the Company or places Executive in a Competing Position with, or otherwise conflicts with, the interests of the Company, at which time the Company and Executive will discuss such conflict and the parties will use reasonable efforts to reach agreement on its resolution); provided that Executive may engage in civic and not-for-profit activities, so long as such activities, in the aggregate, do not conflict with the interests of the Company or materially interfere with the performance of Executive's duties to the Company and do not otherwise conflict with subsection d(ii) below.

(ii) During Executive's employment by the Company, Executive agrees not to acquire, assume or participate in, directly or indirectly, any financial position, investment or interest known by Executive to be adverse or antagonistic to the Company, its business or prospects, financial or otherwise or in any Competing Entity, directly or indirectly; provided, however, Executive may accept equity compensation related to the positions or business activities engaged in which have been approved by the Company pursuant to subsection (d)(i) above. Ownership by Executive, as a passive investment, of less than two percent (2%) of the outstanding shares of capital stock of any corporation with one or more classes of its capital stock listed on a national securities exchange or publicly traded on a national securities exchange or in the over-the-counter market shall not constitute breach of this Section 1(d).

## **2. Compensation and Related Matters.**

All compensation and benefits to be paid to Executive pursuant to this Section 2 other than the Equity Awards set forth in Section 2(c) hereof shall be paid to Executive through the terms and conditions of the Management Agreement for so long as Executive remains employed at Pieris Operating. Upon termination of the Management Agreement provided that this Agreement is still in effect, all compensation set forth below shall be paid by the Company and any reference thereafter to Pieris Operating herein shall mean the Company. Notwithstanding the foregoing, in no event shall this Agreement be interpreted to pay any amounts simultaneously under both this Agreement or the Management Agreement.

(a) Base Salary. Executive's annual base salary ("Base Salary") will be \$375,000 in U.S Dollars and for so long as he shall be paid through the Management Agreement by Pieris Operating such amounts shall be paid in Euro pursuant to the respective spot rate at payment, less payroll deductions and all required withholdings, payable in twelve (12) equal monthly installments through transfer to the account to be designated by Executive with a bank located within Germany. The aforementioned installments will be paid the last day of each month and in accordance with Pieris Operating's normal payroll practices or at such times and in accordance with the Company's normal payroll practice, when applicable. The Board or a committee of the Board shall review Executive's Base Salary periodically and any adjustments to Executive's Base Salary, if any, will be made solely at the discretion of the Board or a committee of the Board.

(b) Bonus. Executive shall also be eligible for an annual discretionary bonus of up to 40% of Executive's then-Base Salary (the "Target Bonus Amount") as determined by the Board or a committee of the Board in its sole discretion, based upon the Board's or a committee of the Board's evaluation (in its sole discretion) of the achievement of specific individual and/or Company-wide performance goals as chosen and determined by the Board or a committee of the Board in its sole discretion. The annual discretionary bonus, if any, shall be payable, less authorized deductions and required withholdings, no later than March 15<sup>th</sup> of the calendar year immediately following the calendar year in which it was earned. The Target Bonus Amount of any annual discretionary bonus for which Executive is eligible shall be reviewed by the Board or a committee of the Board from time to time.

(c) Equity Awards. On the Effective Date, the Company and Executive shall enter into a stock option agreement pursuant to which Executive shall receive a nonqualified stock option under the Company's 2014 Employee, Director and Consultant Equity Incentive Plan to purchase 1,280,000 shares of common stock (the "Option"). Twenty-five percent (25%) of the Option shall vest immediately (the "Initial Vesting Date"), with the remaining (75%) of the Option to vest over three years in equal installments on a quarterly basis beginning on the last day of the next calendar quarter after the Initial Vesting Date, subject in each case to Executive's continued employment in Good Standing. The stock option agreement shall be in the form previously approved by the Board as applicable to all option grants.

(d) Benefits. During the Term, the Company or Pieris Operating, as applicable, shall provide Executive with coverage under all employee benefit programs, plans and practices as are in effect from time to time and which the Company or Pieris Operating, as applicable, makes available from time to time to its senior executive officers, with at least the same opportunity to participate as the other senior executive officers of the Company or Pieris Operating, as applicable, including, without limitation, if applicable, retirement, pension, medical, dental, hospitalization, life insurance, short and long term disability, accidental death and dismemberment and travel accident coverage; provided, however, that notwithstanding the foregoing, Pieris Operating shall only be responsible for 50% of the total cost of health insurance for Executive's spouse and children while Executive remains employed outside the United States.

(e) Vacation and Fringe Benefits. Executive shall be entitled to four (4) weeks paid vacation in each calendar year (pro-rated as necessary for partial calendar years during the Term). Executive may take his vacation at such times consistent with the vacation policies as are in effect from time to time with respect to senior executive officers. Executive shall be entitled to the perquisites and fringe benefits which the Company or Pieris Operating make available from time to time to its senior executive officers, commensurate with Executive's position with the Company.

(f) Business Expenses. During the Term, the Company and/or Pieris Operating shall reimburse Executive for all reasonable business expenses incurred in the conduct of Executive's duties hereunder in accordance with the applicable expense reimbursement policies.

(g) Automobile Allowance. During the Term while Executive is employed outside the United States, Pieris Operating shall provide Executive as set forth in the Management Agreement with a reasonable monthly automobile allowance for a car in connection with the performance of his duties under this Agreement. Subject to reasonable documentation thereof, Pieris Operating shall reimburse Executive for all reasonable expenses related to such automobile, including, without limitation, maintenance and repairs, insurance, gasoline, tolls, and parking-related fees and the Company shall withhold from such payment all amounts required to be deducted or withheld under applicable law.

(h) Relocation and Housing. In the event Executive relocates to the United States, the Company will pay or reimburse Executive for the reasonable costs and expenses in an amount not to exceed \$25,000 in U.S. Dollars to cover moving and relocation expenses, temporary living expenses and one family house hunting trip ("Relocation Expenses") and the Company shall withhold from such payment all amounts required to be deducted or withheld under applicable law. All Relocation Expenses will be paid within 30 days of Executive's submission of documentation of those expenses. If Executive terminates his employment other than for a Covered Termination prior to the second anniversary of the earlier of the relocation or the initial payment of the Relocation Expenses the Executive expressly acknowledges and agrees that the Executive shall reimburse the Company for the pro-rated net amount of all Relocation Expenses received within thirty days following such termination.

### **3. Termination.**

(a) At-Will Employment. The Company and Executive acknowledge that Executive's employment is and shall continue to be "at-will," as defined under applicable law. This means that it is not for any specified period of time and can be terminated by any of the parties hereto at any time, with or without advance notice (other than as stated herein), and for any or no particular reason or cause. It also means that Executive's job duties, title and responsibility, compensation and benefits, as well as the personnel policies and procedures in effect, may be changed with prospective effect, with or without notice, at any time in the sole discretion of the Company or Pieris Operating. This "at-will" nature of Executive's employment

shall remain unchanged during Executive's tenure as an employee and may not be changed, except in an express writing signed by Executive and a duly authorized member of the Board. If Executive's employment terminates for any reason, Executive shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided by this Agreement.

(b) Deemed Resignation. Upon termination of Executive's employment for any reason, Executive shall be deemed to have resigned from all offices and directorships, if any, then held with the Company or any of its Affiliates, and, at the Company's request, Executive shall execute such documents as are necessary or desirable to effectuate such resignations.

#### **4. Obligations upon Termination of Employment.**

(a) Executive's Obligations.

(i) Notice Period. Anything in this Agreement notwithstanding, Executive may voluntarily terminate his employment hereunder upon not less than ninety (90) days prior written notice of Executive delivered to the Company, or upon such shorter notice as Executive and the Company shall agree.

(ii) Confidentiality. Executive shall not during the Term and thereafter, without the prior written consent of the Company, knowingly (i) divulge, disclose or make accessible any Confidential Information (as defined below) to any other person, firm, partnership, corporation or other entity or (ii) use any Confidential Information for his own purposes or for the benefit of any other person, firm, partnership, corporation or other entity (other than the Company), except (x) during the Term, in the business of and for the benefit of the Company or (y) when required to do so by a court of competent jurisdiction, by any governmental agency having supervisory authority over the business of the Company, or by any administrative body or legislative body (including a committee thereof) with jurisdiction to order Executive to divulge, disclose or make accessible such Confidential Information or by state, federal, foreign or local law, rule or regulation; provided that, in the event that Executive is so required to disclose Confidential Information, Executive shall, prior to making any such disclosure, provide the Company with prompt written notice of such requirement so that the Company may seek an appropriate protective order. For purposes of this Agreement, "Confidential Information" shall mean all confidential Company data, analyses, reports, interpretations, forecasts, documents and information concerning the affairs of the Company and its Affiliates, including, without limitation, confidential financial data, strategic business plans, computer programs and documentation, product development data (or other proprietary product data), customer lists and customer information, discoveries, practices, policies, processes, methods, marketing plans, prospects, opportunities and other proprietary information in whatever form, tangible or intangible; provided that Confidential Information shall not include (x) information that

has become generally available to the public other than as a result of disclosure by Executive in a manner violative of this Section 4, or (y) information that is rightly received by Executive without restriction on disclosure from a third party legally entitled to possess and disclose such information without restriction (other than information that Executive may learn or has learned by reason of his association with any Affiliate). Upon conclusion of the Term or at any point prior on request of the Company, Executive shall immediately return to the Company all Confidential Information, including copies, reproductions and summaries thereof, in his possession and shall erase all such Confidential Information from all media in his possession, and, if the Company so requests, shall certify in writing that he has done so. All Confidential Information is and shall remain the property of the Company and its Affiliates.

(iii) Non-Competition. During the Term and twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Board (which the Board may grant or withhold in its discretion); he shall not, directly or indirectly, either as principal, manager, agent, consultant, officer, stockholder, partner, investor; lender or employee, or in any other capacity (and whether or not for compensation) carry on, be engaged in or employed by, be a consultant or provide assistance to or have any financial interest in, any Competing Entity, except that it will not be deemed a breach of this Section 4(a)(iii) if Executive is an investor or stockholder of not more than two (2%) percent of the equity securities of any entity.

(iv) Non-Solicitation. During the Term and for twelve (12) months thereafter, Executive agrees that, without the prior written consent of the Board he shall not, on his own behalf or on behalf of any person or entity, directly or indirectly, (a) solicit for employment any employee who has been employed by the Company or any Affiliate at any time during the twelve (12) months immediately preceding such solicitation or offer or (b) solicit for the business of or provide services to any client, customer, or vendor of the Company or any Affiliate for which he or any subordinate provided services during the Term.

(v) Intellectual Property. All Intellectual Property (as defined below) and Technology (as defined below) created, developed, obtained or conceived of by Executive during the Term, and all business opportunities presented to Executive during the Term shall be owned by and belong exclusively to the Company, provided that they directly relate to the business of the Company, as of the date of such creation, development, obtaining or conception, and Executive shall (i) promptly disclose to the Company any such Intellectual Property or Technology or any viable business opportunity presented by a third party to Executive during the Term and which the Company has not rejected and (ii) execute and deliver to the Company, without additional compensation, such instruments (such as assignments of any Intellectual Property to the Company) as the Company may require from time to time to evidence its ownership of any such Intellectual Property or Technology or business opportunity. For purposes of this Agreement, (x) the term "Intellectual



Property” shall mean and include any and all trademarks, trade names, service marks, service names, patents, copyrights and applications therefor and (y) the term “Technology” shall mean and include any and all trade secrets, proprietary information, inventions, discoveries, know-how, formulae, processes and procedures. The German Employee Invention Act (*Arbeitnehmererfindungsgesetz*) shall not apply.

(vi) Non-disparagement. During the Term and at all times thereafter, Executive shall not make, or cause to be made, any statement or communicate any information (whether oral or written) that disparages or reflects negatively on the Company or its Affiliates, officers, directors, board members, investors, shareholders, agents or employees.

(vii) Response to Legal Process. Executive may respond to a lawful and valid subpoena or other legal process but shall give the Company the earliest possible notice thereof, and shall, as much in advance of the return date as possible, make available to the Company and its counsel the documents and other information sought, and shall assist such counsel in resisting or otherwise responding to such process.

(viii) Survival of Provisions. The provisions of this Section 4(a) shall survive the termination or expiration of the applicable Executive’s employment with the Company and shall be fully enforceable thereafter. If it is determined by a court of competent jurisdiction that any restriction in this Section 4(a) is excessive in duration or scope or is unreasonable or unenforceable under the laws of that jurisdiction, it is the intention of the parties that such restriction may be modified or amended by the court to render it enforceable to the maximum extent permitted by the law of that jurisdiction.

(ix) Injunctive Relief. Executive and the Company agree that the restrictions contained in Sections 4(a) hereof are a reasonable and necessary protection of the immediate interests on the Company, that any violation of these restrictions would cause substantial injury to the Company and that the Company would not have entered into this Agreement without receiving the additional consideration offered by Executive in binding himself to these restrictions. In the event of the breach or threatened breach by Executive of any of such restrictions, the Company shall be entitled to apply to any court of competent jurisdiction for an injunction restraining Executive for such breach or threatened breach; provided that the right of the Company to apply for an injunction shall not be construed as prohibiting the Company from pursuing any other available remedies for such breach or threatened breach. In the event that, notwithstanding the foregoing, a restriction, or any portion thereof, contained in Section 4(a) is deemed to be unreasonable by a court of competent jurisdiction, whether due to the passage of time, change of circumstances or otherwise, Executive and the Company agree that such restriction, or portion thereof, shall be modified in order to make it reasonable and shall be enforced accordingly.

(b) Company's Obligations.

(i) Payments of Accrued Obligations upon Termination of Employment. Upon a termination of Executive's employment for any reason, Executive (or Executive's estate or legal representative, as applicable) shall be entitled to receive, within ten (10) days after the date Executive terminates employment with the Company (or such earlier date as may be required by applicable law): (i) any portion of Executive's annual base salary earned through Executive's termination date not theretofore paid, (ii) any expenses owed to Executive under Section 2(f) above, (iii) any accrued but unused vacation pay owed to Executive pursuant to Section 2(e) above, and (iv) any amount arising from Executive's participation in, or benefits under, any employee benefit plans, programs or arrangements under Section 2(d) above, which amounts shall be payable in accordance with the terms and conditions of such employee benefit plans, programs or arrangements.

(c) Severance Payments upon a Covered Termination Other Than During a Change in Control Period. If Executive experiences a Covered Termination at any time other than during a Change in Control Period, and if Executive executes and does not revoke during any applicable revocation period a general release of all claims against the Company and its Affiliates in a form acceptable to the Company (a "Release of Claims") within a reasonable period of time specified by the Company and in compliance with applicable law, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b)(i) above, the Company shall provide Executive with the following:

(A) Severance. Executive shall be entitled to receive an amount equal to (i) twelve (12) months of Executive's Base Salary in effect as of Executive's termination date plus (ii) Executive's Target Bonus Amount, pro-rated based on the total number of days elapsed in the calendar year as of the termination date, but only if, as of the date of Executive's termination of employment, the Company and Executive were "on target" to achieve all applicable performance goals for such annual bonus as determined by the Board or a committee of the Board in their sole discretion minus (iii) any amounts paid to Executive by Pieris Operating under the Management Agreement that would not be deemed Accrued Obligations if paid pursuant to this Agreement. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the Executive is subject to Section 409A the date set forth in Section 10(a) hereof.

(B) Equity Awards. Each outstanding equity award, including, without limitation, each stock option held by Executive shall automatically become vested and, if applicable, exercisable and any forfeiture restrictions shall immediately lapse.

(C) Continued Healthcare. The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an Affiliate immediately prior to Executive's date of termination pursuant to the provisions of applicable law including, but not limited to, the provisions of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("COBRA"). If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents, less the amount of Executive's monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the twelve (12) full calendar months following the date the Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this subsection, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA or other applicable law.

(d) Severance Payments upon a Covered Termination During a Change in Control Period. If Executive experiences a Covered Termination during a Change in Control Period, and if Executive executes and does not revoke during any applicable revocation period a Release of Claims within a reasonable period of time specified by the Company, following such Covered Termination, then in addition to any accrued obligations payable under Section 4(b)(i) above, the Company shall provide Executive with the following:

(A) Severance. Executive shall be entitled to receive an amount equal to (i) twelve (12) months of Executive's Base Salary in effect as of Executive's termination date plus (ii) Executive's Target Bonus Amount for the year of termination minus (iii) any amounts paid to Executive by Pieris Operating under the Management Agreement that would not be deemed Accrued Obligations if paid pursuant to this Agreement. Such amount will be subject to applicable withholdings and payable in a single lump sum cash payment on the first regular payroll date following the date the Release of Claims becomes effective and irrevocable or if the Executive is subject to Section 409A the date set forth in Section 10(a) hereof.

(B) Equity Awards. Each outstanding equity award, including, without limitation, each stock option held by Executive shall automatically become vested and, if applicable, exercisable and any forfeiture restrictions shall immediately lapse.

(C) Continued Healthcare. The Company shall notify Executive of any right to continue group health plan coverage sponsored by the Company or an Affiliate immediately prior to Executive's date of termination pursuant to the provisions of applicable law including, but not limited to, the provisions of COBRA. If Executive elects to receive such continued healthcare coverage, the Company shall directly pay, or reimburse Executive for, the premium for Executive and Executive's covered dependents, less the amount of Executive's monthly premium contributions for such coverage prior to termination, for the period commencing on the first day of the first full calendar month following the date the Release of Claims becomes effective and irrevocable through the earlier of (i) the last day of the twelve (12) full calendar months following the date Release of Claims becomes effective and irrevocable and (ii) the date Executive and Executive's covered dependents, if any, become eligible for healthcare coverage under another employer's plan(s). Executive shall notify the Company immediately if Executive becomes covered by a group health plan of a subsequent employer. After the Company ceases to pay premiums pursuant to this subsection, Executive may, if eligible, elect to continue healthcare coverage at Executive's expense in accordance the provisions of COBRA or other applicable law.

(e) No Other Severance. The provisions of this Section 4 shall supersede in their entirety any severance payment or other arrangement provided by the Company, including, without limitation, any severance plan of the Company.

(f) No Requirement to Mitigate; Survival. Executive shall not be required to mitigate the amount of any payment provided for under this Agreement by seeking other employment or in any other manner. Notwithstanding anything to the contrary in this Agreement, the termination of Executive's employment shall not impair the rights or obligations of any party.

**5. Limitation on Payments**. Notwithstanding anything in this Agreement to the contrary, if any payment or distribution Executive would receive pursuant to this Agreement or otherwise ("Payment") would (a) constitute a "parachute payment" within the meaning of Section 280G of the Internal Revenue Code of 1986, as amended (the "Code"), and (b) but for this sentence, be subject to the excise tax imposed by Section 4999 of the Code (the "Excise Tax"), then the Company shall cause to be determined, before any amounts of the Payment are paid to Executive, which of the following alternative forms of payment would maximize Executive's after-tax proceeds: (i) payment in full of the entire amount of the Payment (a "Full Payment"), or (ii) payment of only a part of the Payment so that Executive receives that largest Payment possible without being subject to the Excise Tax (a "Reduced Payment"), whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax (all computed at the highest marginal rate, net of the maximum reduction in

federal income taxes which could be obtained from a deduction of such state and local taxes), results in Executive's receipt, on an after-tax basis, of the greater amount of the Payment, notwithstanding that all or some portion the Payment may be subject to the Excise Tax.

(a) The independent registered public accounting firm engaged by the Company for general audit purposes as of the day prior to the effective date of the Change in Control shall make all determinations required to be made under this Section 5. If the independent registered public accounting firm so engaged by the Company is serving as accountant or auditor for the individual, group or entity effecting the Change in Control, the Company shall appoint a nationally recognized independent registered public accounting firm to make the determinations required hereunder. The Company shall bear all expenses with respect to the determinations by such independent registered public accounting firm required to be made hereunder.

(b) The independent registered public accounting firm engaged to make the determinations hereunder shall provide its calculations, together with detailed supporting documentation, to the Company and Executive at such time as requested by the Company or Executive. If the independent registered public accounting firm determines that no Excise Tax is payable with respect to a Payment, either before or after the application of the Reduced Payment, it shall furnish the Company and Executive with an opinion reasonably acceptable to Executive that no Excise Tax will be imposed with respect to such Payment. Any good faith determinations of the accounting firm made hereunder shall be final, binding and conclusive upon the Company and Executive.

#### **6. Successors.**

(a) Company's Successors. Any successor to the Company (whether direct or indirect and whether by purchase, merger, consolidation, liquidation or otherwise) to all or substantially all of the Company's business and/or assets shall assume the obligations under this Agreement and agree expressly to perform the obligations under this Agreement in the same manner and to the same extent as the Company would be required to perform such obligations in the absence of a succession. For all purposes under this Agreement, the term "Company" shall include any successor to the Company's business and/or assets which executes and delivers the assumption agreement described in this Section 6(a) or which becomes bound by the terms of this Agreement by operation of law.

(b) Executive's Successors. The terms of this Agreement and all rights of Executive hereunder shall inure to the benefit of, and be enforceable by, Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

**7. Notices.** Notices and all other communications contemplated by this Agreement shall be in writing and shall be deemed to have been duly given when personally delivered or one day following mailing via Federal Express or similar overnight courier service. In the case of

Executive, mailed notices shall be addressed to Executive at Executive's home address that the Company has on file for Executive. In the case of the Company, mailed notices shall be addressed to its corporate headquarters, and all notices shall be directed to the attention of the Chairman of the Compensation Committee of the Company.

**8. Dispute Resolution.** To ensure the timely and economical resolution of disputes that arise in connection with this Agreement, Executive and the Company agree that any and all disputes, claims, or causes of action arising from or relating to the enforcement, breach, performance or interpretation of this Agreement, Executive's employment, or the termination of Executive's employment, shall be resolved to the fullest extent permitted by law by final, binding and confidential arbitration, by a single arbitrator, in New York, New York, conducted by Judicial Arbitration and Mediation Services, Inc. ("JAMS") under the applicable JAMS employment rules. **By agreeing to this arbitration procedure, both Executive and the Company waive the right to resolve any such dispute through a trial by jury or judge or administrative proceeding.** The arbitrator shall: (i) have the authority to compel adequate discovery for the resolution of the dispute and to award such relief as would otherwise be permitted by law; and (ii) issue a written arbitration decision, to include the arbitrator's essential findings and conclusions and a statement of the award. The arbitrator shall be authorized to award any or all remedies that Executive or the Company would be entitled to seek in a court of law. The Company shall pay all JAMS' arbitration fees in excess of the amount of court fees that would be required if the dispute were decided in a court of law. Nothing in this Agreement is intended to prevent either Executive or the Company from obtaining injunctive relief in court to prevent irreparable harm pending the conclusion of any such arbitration. Notwithstanding the foregoing, Executive and the Company each have the right to resolve any issue or dispute over intellectual property rights by Court action instead of arbitration.

**9. Miscellaneous Provisions.**

(a) Withholdings and Offsets. The Company shall be entitled to withhold from any amounts payable under this Agreement any federal, state, local or foreign withholding or other taxes or charges which the Company is required to withhold. The Company shall be entitled to rely on an opinion of counsel if any questions as to the amount or requirement of withholding shall arise.

(b) Waiver. No provision of this Agreement shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by Executive and by an authorized officer of the Company (other than Executive). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Whole Agreement. This Agreement represents the entire understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior arrangements and understandings regarding same, including, without limitation, any severance plan of the Company.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of Nevada.

(e) Severability. The finding by a court of competent jurisdiction of the unenforceability, invalidity or illegality of any provision of this Agreement shall not render any other provision of this Agreement unenforceable, invalid or illegal. Such court shall have the authority to modify or replace the invalid or unenforceable term or provision with a valid and enforceable term or provision which most accurately represents the intention of the parties hereto with respect to the invalid or unenforceable term or provision.

(f) Interpretation; Construction. The headings set forth in this Agreement are for convenience of reference only and shall not be used in interpreting this Agreement. This Agreement has been drafted by legal counsel representing the Company, but Executive has been encouraged to consult with, and has consulted with, Executive's own independent counsel and tax advisors with respect to the terms of this Agreement. The parties hereto acknowledge that each party hereto and its counsel has reviewed and revised, or had an opportunity to review and revise, this Agreement, and any rule of construction to the effect that any ambiguities are to be resolved against the drafting party shall not be employed in the interpretation of this Agreement.

(g) Representations; Warranties. Executive represents and warrants that Executive is not restricted or prohibited, contractually or otherwise, from entering into and performing each of the terms and covenants contained in this Agreement, and that Executive's execution and performance of this Agreement will not violate or breach any other agreements between Executive and any other person or entity and that Executive has not engaged in any act or omission that could be reasonably expected to result in or lead to an event constituting "Cause" for purposes of this Agreement.

(h) Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together will constitute one and the same instrument.

**10. Section 409A**. The intent of the parties is that the payments and benefits under this Agreement comply with or be exempt from Section 409A of the Code and the Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the Effective Date, ("Section 409A") and, accordingly, to the maximum extent permitted, this Agreement shall be interpreted to be in compliance therewith. If the Company determines that any provision of this Agreement would cause Executive to incur any additional tax or interest under Section 409A (with specificity as to the reason therefor), the Company and Executive shall take commercially reasonable efforts to reform such provision to try to comply with or be exempt

from Section 409A through good faith modifications to the minimum extent reasonably appropriate to conform with Section 409A, *provided* that any such modifications shall not increase the cost or liability to the Company. To the extent that any provision hereof is modified in order to comply with or be exempt from Section 409A, such modification shall be made in good faith and shall, to the maximum extent reasonably possible, maintain the original intent and economic benefit to Executive and the Company of the applicable provision without violating the provisions of Section 409A.

(a) Separation from Service. Notwithstanding any provision to the contrary in this Agreement, no amount deemed deferred compensation subject to Section 409A of the Code shall be payable pursuant to Section 4 unless Executive's termination of employment constitutes a "separation from service" with the Company within the meaning of Section 409A ("Separation from Service") and, except as provided under Section 10(b) of this Agreement, any such amount shall not be paid, or in the case of installments, commence payment, until the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service. Any installment payments that would have been made to Executive during the sixty (60) day period immediately following Executive's Separation from Service but for the preceding sentence shall be paid to Executive on the sixtieth (60<sup>th</sup>) day following Executive's Separation from Service and the remaining payments shall be made as provided in this Agreement.

(b) Specified Employee. Notwithstanding any provision to the contrary in this Agreement, if Executive is deemed at the time of his or her separation from service to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code, to the extent delayed commencement of any portion of the benefits to which Executive is entitled under this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code, such portion of Executive's benefits shall not be provided to Executive prior to the earlier of (a) the expiration of the six (6)-month period measured from the date of Executive's Separation from Service or (b) the date of Executive's death. Upon the first day of the seventh month following the date of the Executive's separation from service, all payments deferred pursuant to this Section 10(b) shall be paid in a lump sum to Executive, and any remaining payments due under this Agreement shall be paid as otherwise provided herein.

(c) Expense Reimbursements. To the extent that any reimbursements payable pursuant to this Agreement are subject to the provisions of Section 409A, any such reimbursements payable to Executive pursuant to this Agreement shall be paid to Executive no later than December 31 of the year following the year in which the expense was incurred, the amount of expenses reimbursed in one year shall not affect the amount eligible for reimbursement in any subsequent year, and Executive's right to reimbursement under this Agreement will not be subject to liquidation or exchange for another benefit.

(d) Installments. For purposes of Section 409A (including, without limitation, for purposes of Treasury Regulation Section 1.409A-2(b)(2)(iii)), Executive's right to receive any installment payments under this Agreement shall be treated as a right to receive a series of separate payments and, accordingly, each such installment payment shall at all times be considered a separate and distinct payment.



**11. Definition of Terms.** The following terms referred to in this Agreement shall have the following meanings:

(a) Affiliates. “Affiliates” means any of the Company’s subsidiaries or joint ventures currently existing or which shall be established during Executive’s employment by the Company.

(b) Cause. “Cause” means the occurrence of any of the following events, as determined by the Board or a committee designated by the Board, in its sole discretion: (i) Executive’s commission of any felony or any crime involving fraud, dishonesty, or moral turpitude under the laws of Germany, the United States or any state thereof; (ii) Executive’s attempted commission of, or participation in, a fraud against the Company; (iii) Executive’s intentional, material violation of any contract or agreement between Executive and the Company or of any statutory duty owed to the Company; (iv) Executive’s unauthorized use or disclosure of the Company’s confidential information or trade secrets; or (v) Executive’s gross misconduct.

(c) Change in Control. “Change in Control” means:

*Ownership*. Any “Person” (as such term is used in Sections 13(d) and 14(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) becomes the “Beneficial Owner” (as defined in Rule 13d-3 under the Exchange Act), directly or indirectly, of securities of the Company representing 50% or more of the total voting power represented by the Company’s then outstanding voting securities (excluding for this purpose any such voting securities held by the Company or its Affiliates or by any employee benefit plan of the Company) pursuant to a transaction or a series of related transactions which the Board of Directors does not approve; or

*Merger/Sale of Assets*. (A) A merger or consolidation of the Company whether or not approved by the Board of Directors, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or the parent of such corporation) more than 50% of the total voting power represented by the voting securities of the Company or such surviving entity or parent of such corporation, as the case may be, outstanding immediately after such merger or consolidation; or (B) the sale or disposition by the Company of all or substantially all of the Company’s assets in a transaction requiring stockholder approval Notwithstanding the foregoing, a “Change in Control” must also constitute a “change in control event” as defined in Treasury Regulation §1.409A-3(i)(5).

(d) Change in Control Period. "Change in Control Period" means the period beginning with the agreement which if consummated is a Change in Control and ending twelve (12) months after the effective date of a Change in Control.

(e) Covered Termination. "Covered Termination" shall mean the termination of Executive's employment (i) by the Company other than for Cause, or (ii) by Executive for Good Reason.

(f) Competing Entity. "Competing Entity" shall mean any person or entity which is engaged in any phase of the business of developing, manufacturing and marketing of products which compete with the Company and/or any of its Affiliates.

(g) Competing Position. "Competing Position" shall mean engaging, directly or indirectly, in any manner or capacity, as adviser, principal, agent, affiliate, promoter, partner, officer, director, employee, stockholder, owner, co-owner, consultant, or member of any association or otherwise, in any Competing Entity.

(h) Good Reason. "Good Reason" means Executive's resignation from all positions he or she then holds with the Company if (i) (A) there is a material diminution in Executive's duties and responsibilities with the Company; (B) there is a material reduction of Executive's base salary; *provided, however,* that a material reduction in Executive's base salary pursuant to a salary reduction program affecting all or substantially all of the employees of the Company and that does not adversely affect Executive to a greater extent than other similarly situated employees shall not constitute Good Reason; or (C) Executive is required to relocate Executive's primary work location to a facility or location that would increase Executive's one-way commute distance by more than fifty (50) miles from Executive's primary work location as of immediately prior to such change, (ii) Executive provides written notice outlining such conditions, acts or omissions to the Company within thirty (30) days immediately following such material change or reduction, (iii) such material change or reduction is not remedied by the Company within thirty (30) days following the Company's receipt of such written notice and (iv) Executive's resignation is effective not later than thirty (30) days after the expiration of such thirty (30) day cure period.

(i) Good Standing. "Good Standing" means that Executive remains actively employed and (i) has not been given notice of the termination of employment; (ii) has not given notice of resignation or resigned; (iii) is not suspended by the Company for violation of its material policies and/or procedures and (iv) is not under investigation for conduct that could, in the Company's good faith determination, result in a suspension or termination for Cause.

*(Signature page follows)*

IN WITNESS WHEREOF, each of the parties has executed this Agreement, in the case of the Company by its duly authorized officer, as of the day and year set forth below.

**Pieris Pharmaceuticals, Inc.**

By: /s/ Chau Q. Khuong  
Name: Chau Q. Khuong  
Title: Chairman of the Board of Directors

**Pieris AG**

By: /s/ Chau Q. Khuong  
Name: Chau Q. Khuong  
Title: Chairman of the Supervisory Board

**EXECUTIVE**

/s/ Stephen S. Yoder  
Name: Stephen S. Yoder

*Signature Page to Employment Agreement*

**Management Agreement**

between

1. **PIERIS AG** represented by the Supervisory Board

- hereinafter referred to as the "**Company**" -

and

2. **Claus Schalper**, Ismaninger Str. 62, 81765 Munich, Germany

- hereinafter referred to as the "**MANAGER**" -

**Preamble**

Through the resolution adopted by the Supervisory Board on December 13, 2007, the MANAGER was appointed to the Management Board to serve as Chief Financial Officer of the Company, effective as of February 1, 2008.

NOW THEREFORE, in consideration of their mutual obligations, the parties agree as follows:

**§ 1**

**Start and Term of the Employment**

The employment shall commence on February 1, 2008 and is concluded for a period of 12 (months) months (the "Term"), i.e. this Agreement will end on January 31, 2009. The Term will be extended once or more times automatically for 1 (one) year, unless this Agreement has been terminated 3 (three) months prior to the Term, provided that the total Term does not exceed five years. Any termination must be in writing.

**§ 2**

**Consulting Agreement**

The Consulting Agreement dated June 7, 2006 between the Company and the MANAGER is hereby mutually lifted as of February 1, 2008 and shall no longer be in force after January 31, 2008. The Consulting Agreement shall be replaced by this Agreement as of February 1, 2008.

**§ 3**

**Activity**

1. The MANAGER shall be employed as Chief Financial Officer (*Vorstand*). The field of work shall cover especially financials, administration and human resources. The place of work is Freising.

2. The Company reserves the right also to assign other reasonable activities to the MANAGER which correspond to his training and his skills and which result in an alteration to the area of responsibility.
3. The MANAGER shall carry out his work in an expert and conscientious manner, shall safeguard the Company's interests and shall devote his full working capacity exclusively to the Company.
4. The Company is entitled to release the MANAGER at any time from his work with the continued payment of his gross basic remuneration according to § 5 (1).

#### **§ 4**

##### **Working Hours**

1. The MANAGER shall dedicate 75 % of his entire working capacity to the Company, at least 30 hours a week. The duration and the starting and finishing times of the daily working hours shall be determined by the MANAGER himself according to his set task within the respectively valid local working hours regulations, in which respect he must take account of operational interests and the respectively valid Company regulations.
2. The MANAGER is obliged to do overtime or additional work. Overtime is to be done as is required by the situation-related scope of work and in so far as this is legally permissible. The additional work is compensated by the regular salary according to § 5 (1).

#### **§ 5**

##### **Salary, other benefits**

1. The MANAGER shall receive for his contractual employment an annual gross salary of EUR 117,000 (in words: Euro one hundred and seventeen thousand), which shall be paid in twelve equal monthly installments.
2. In addition to the remuneration provided for under § 5 (1), the MANAGER shall receive a variable annual bonus payment of EUR 10,000.00 (in words: Euro ten thousand) (the "Variable Bonus") depending on the achievement of milestones, as to be agreed upon in good faith, whereby the determination of the fulfilment is within the discretion of the Company.
3. In addition to the remuneration provided under § 5 (1), the MANAGER shall receive a further lump sum in the amount of EUR 750 per month for his travel expenses from his home to the office (which includes all car expenses).
4. The payment of the salary shall fall due on the last day of each month. It shall be paid in a cashless manner; the MANAGER shall open an account within two weeks after the start of the employment and shall notify its number or the number of an already existing account.

5. The MANAGER undertakes to repay any overpayments of salary, including claims arising from the incorrect calculation of taxes and voluntary benefits, to the Company without delay. The MANAGER waives in this respect the assertion of a plea of a loss of enrichment, § 818 (3) German Civil Code.
6. The Company has executed a D&O insurance, which covers the MANAGER; the Company will bear the full costs of said insurance.

#### **§ 6**

##### **Travel Expenses**

The MANAGER shall receive the reimbursement of his expenses at the fiscally recognized rates for trips, which are necessary in the Company's interest. All further details are regulated by the respectively valid Company guidelines.

#### **§ 7**

##### **Temporary Incapacity to work, continued payment of salary in the event of illness**

1. The MANAGER shall notify the Company without delay of every instance of the temporary incapacity to work and its probable duration. On request, the reasons for the temporary inability to work must be indicated.
2. If the MANAGER is unable to work on account of the temporary incapacity to work due to illness for which he is not responsible, then the Company shall continue to pay his remuneration for a period of 3 (three) months, but no longer than the duration of this Agreement. Reimbursements made by third parties to this effect will be deducted.

#### **§ 8**

##### **Secondary Employment and Non-compete Obligation**

The MANAGER shall dedicate 75 % of his entire working capacity to the Company. It is known by the Company that the Manager dedicates remaining parts of his working capacity to business outside the field of interest of the Company. If any such external work covers the field of Life Sciences, then it shall require prior written consent of the Supervisory Board of the Company.

#### **§ 9**

##### **Professional Development**

The costs for professional development measures, which are in the Company's interest, shall be borne by Company.

#### **§ 10**

##### **Notification of Alterations to personal details**

The MANAGER must notify the Company without delay of alterations to his personal status and alterations to other data, which is contained in the personnel questionnaire.

**§ 11**

**Termination of the employment**

The right to effect termination without period of notice for due cause shall remain unaffected.

**§ 12**

**Duty of care; return obligation**

1. The MANAGER shall be obliged to hold the articles put at his disposal (e.g. keys, electronic data, etc.) in safekeeping.
2. At the Company's request and at the latest when he leaves Company's service, the MANAGER shall return to the Company without delay and without being requested to do so all files and other documents which concern the business operations of the Company or its affiliated companies which are in his possession or subject to his access - especially all plans, customer lists, price lists, printed matter, certificates, drawings, notes, drafts - and also copies of the said articles, regardless of whether he received them from the Company or from its affiliated companies.

**§ 13**

**Confidentiality obligation**

1. The MANAGER undertakes to maintain secrecy on all business and company secrets, which he learns during his employment, and also on all other business and company facts of the employment. This shall not apply to facts, which are public knowledge.
2. The confidentiality obligation shall also apply to the time after the termination of the employment.
3. During the period of the employment, the MANAGER is also obliged to maintain secrecy on the contents of this contract.
4. A breach of this unconditional obligation shall constitute a serious infringement of the MANAGER's contractual employment obligations, which if repeated entitles the Company to terminate the employment without notice period.

**§ 14**

**IP Protection**

1. The MANAGER shall disclose and assign to the Company promptly and fully any future work (including computer software programs) and any invention, improvement, discovery, process, formula, technique, method, trade secret, or other intellectual property, whether or not patentable, whether or not copyrightable, that is made, conceived, developed, or first reduced to practice, either alone or jointly with others, including any associated trademarks, trade names and good will in the area of the Company's business field as described in § 2 of the Articles of Association of the Company and all rights to any related know-how (hereinafter referred to as "Inventions").

2. The MANAGER hereby assigns to the Company all of his or his right, title and interest in and with respect to any future Inventions, including in particular the right to copy, disseminate, transfer to third parties, (sub-) license exclusively or non-exclusively, adapt and/or modify any such Invention and to apply for intellectual property rights in the Company's own name. To the extent the assignment should not be legally valid, the MANAGER hereby grants to the Company an exclusive license to use such Invention as described for the entire life of such right. The MANAGER hereby waives any moral rights he may have under copyright laws, including in particular the right to publish any work, the right to be named as author and the right of access to any work, to the extent legally permitted.
3. Such assignment or license shall be deemed compensated by the regular salary according to § 5(1) above. The parties assume, and hereby agree, that the salary is an appropriate compensation for such assignment or license.

#### **§ 15**

#### **Ancillary Agreements and contractual amendments**

Verbal ancillary agreements to this contract have not been made. Amendments and supplements to this contract must be made in writing in order to be effective. The same shall apply to this requirement of the written form.

#### **§ 16**

#### **Expiry Deadlines**

1. The claims of both parties arising from the employment and such claims in connection with the employment shall lapse if they have not been asserted in writing against the other contracting party within three months after falling due.
2. If the counter-party rejects the claim or does not reply within two weeks after the assertion of the claim, then the said claim shall lapse if it is not asserted in court within a further month after the rejection or the expiry of the deadline. This shall not apply to claims for payment of the MANAGER which fall due during dismissal proceedings and which depend on the outcome of the proceedings. For these claims, the expiry deadline of two months shall commence after the final and absolute conclusion of the unlawful dismissal proceedings.

#### **§ 17**

#### **Place of Performance, place of jurisdiction**

1. Place of performance is the place where the employment has its focus. This place of performance is authoritative for disputes arising from this contract and regarding its existence. The court of the location where the obligation under dispute is to be performed shall be competent.
2. If the MANAGER has not established a domicile in Germany or if he has given up this domicile, then the Company's corporate domicile shall be authoritative as the place of jurisdiction.



**§ 18**

**Partial Invalidity, severability clause**

1. If a provision of this contract is or becomes legally ineffective or unfeasible in whole or in part, then the validity of the remaining provisions of this contract shall not thus be affected in case of doubt. On the contrary, the provision, which is legally ineffective or unfeasible in whole or in part, is to be replaced by a provision, which is closest in commercial terms to the meaning and purpose of the provision, which is ineffective or unfeasible in whole or in part. The same shall apply in the case of gaps in this contract.
2. If, as a result of an alteration to the legislation or Supreme Court rulings or on account of other circumstances, a provision of this contract becomes invalid, then the provision shall automatically be adapted in line with the new legal position. The validity of the remaining provisions shall not thus be affected.

**§ 19**

**Copy of contract**

The MANAGER confirms by his own signature that he has received a written copy of this contract.

Freising, 6. Feb. 2008

Munich, 6. February 2008

/s/ Hans Küpper

/s/ Claus Schalper

Company

Manager

## CONSULTING AGREEMENT

## (the "Agreement")

This Agreement is entered into as of July 9, 2013, by and between Pieris AG, Lise-Meitner-Strasse 30, 85354 Freising-Weihenstephan, Germany, represented by the Executive Board, this one being represented by its Chairman Stephen S. Yoder (hereinafter referred to as "**Company**"), and Claus Schalper, Kaiser-Ludwig-Platz 1, 80336 München, Germany (hereinafter referred to as "**Consultant**") ("Company" and "Consultant" hereinafter referred to as the "**Parties**"). This Agreement commences after the termination of the Management Agreement of Claus Schalper ("Vorstands-Anstellungsvertrag").

The Parties agree as follows:

**1. Engagement.**

1.1 Until the termination of this Agreement pursuant to Section 8 below, the Company hereby engages Consultant, and Consultant hereby accepts non-exclusive engagement by the Company, to provide the services as mutually agreed by Consultant and the Company (collectively the "**Services**"). The Services shall particularly encompass support in financial management and driving business growth. Such activities will include, in particular, the management responsibility for the following:

- a. Administration;
- b. Accounting & Controlling;
- c. Audit;
- d. HR;
- e. Fundraising.

1.2 The Consultant's responsibilities may, from time to time, be expanded by the Company to perform other assignments or assume further responsibilities to support the Company's overall business objectives.

1.3 Consultant provides proof and report of the Services in a suitable form until the 10th day of the following month for the previous month together with an invoice.

1.4 The Consultant shall represent the Company internally and externally during the term of this Agreement. The Company shall authorize the Consultant accordingly and shall furnish the Consultant with all necessary technical means and office space in order for him to duly render the Services.

1.5 The Consultant may use the title "Chief Financial Officer (CFO)" of the Company in providing the Services.

## **2. Time and Location of Services**

2.1 The Consultant shall be free with regard to the manner in which he renders the Services and the timing of such Services. Consultant shall devote such time to the performance of the Services as reasonably required; however, Parties expect that the Services require an amount of up to 16 days man-days per month (each man-day lasting for 8 hours). The exact settlement shall take place on the basis of the man-days actually rendered in each month.

2.2 It shall be in the Consultant's free discretion where to render the Services. However, with respect to the kind of Services to be rendered, Parties expect the Services to be rendered primarily at the premises of Pieris in Freising-Weihenstephan, Germany.

2.3 It is known to the Company that the Consultant renders services to other companies as well. In addition to the work under this Agreement, the Consultant shall be free to conclude other service agreements and to work for other principals as long as there is no conflict of interest.

## **3. Remuneration.**

3.1 In consideration for Consultant's performance of the Services, Consultant shall receive a reimbursement in the amount of EUR 800.- per man-day. Remuneration will be due for payment upon invoicing, but shall be due the last calendar day of the month at the earliest. All services rendered by the Consultant under this Agreement, including on weekends or holidays, and any services rendered to affiliates of the Company shall be deemed to have been compensated in full by the aforementioned remuneration.

3.2 Upon submission of the respective receipts, the Company shall reimburse Consultant for necessary traveling and other expenses properly and reasonably incurred by him in the discharge of the Services, but only to the extent that they will comply with the internal policy for travel lodging expenses. Reimbursement may be calculated upon the Company's discretion either by lump sum (subject to legal provisions) or according to the receipts presented by Consultant.

3.3 Unless otherwise expressly agreed upon in writing, the payment of any other gratuities, profit shares, premiums or other extra payments shall be on a voluntary basis, subject to the provision that even repeated payments without the reservation of voluntariness shall not create any legal claim for the Consultant, either in respect to their cause or their amount, either for the past or for the future.

3.4 All payments under this Section 3 shall only become due upon Company's receipt of customary invoices (setting forth in particular the agreed remuneration plus applicable statutory value-added tax) which shall be provided by Consultant on a monthly basis.

**4. Assignment.** Any claims by the Consultant against the Company for payment of remuneration according to Sec. 3 may not be pledged or assigned without the previous written consent of the Company. The assertion of any right of retention, right to refuse performance or set-off of claims with regard to any Company's claim shall be excluded as far as permitted by applicable law.

**5. Confidential Information.**

5.1 Consultant shall, during the period of this Agreement and at any time thereafter, keep secret any confidential information concerning the business, contractual arrangements, transactions or specific affairs of the Company or its affiliates and she will not use any such information for her own benefit or for the benefit of others. Such confidential information specifically includes, but is not limited to, Company's (or its affiliates') intellectual property, clientele, price lists, pricing methods, names of consultants, salary data, procedural/tactical approaches to areas of the business, strategic business decisions, and any other matters which may be considered confidential or proprietary to the Company.

5.2 During the term of this Agreement upon request and at the end of the term of this Agreement without request, Consultant shall return to the Company all Company property and any documentation in his possession which relates to the Company or to its affiliates, in particular all notes, memoranda, drawings, protocols, reports, files and other similar documentation (as well as copies or other reproductions thereof). Accordingly, the same applies to non-tangible information and material, for example computer programs or data stored on discs or the like. Consultant recognizes that the documentation referred to above is the sole property of the Company or its associated undertakings. Consultant has no right of retention over this documentation.

**6. Copyrights and other intellectual property rights**

6.1 Consultant assigns to the Company the exclusive right of use and exploitation, unrestricted in time, territory and content, for all work output which is capable of copyright protection or of protection under trademark, registered design and/or utility model or any other intellectual property rights, which the Consultant produces during the term of this Agreement, insofar as they relate to his duties under this Agreement. The assignment of the use and exploitation rights includes the authorization to further revision and to the issue of licenses to third parties and is fully compensated for by the remuneration set out in Sec. 3 of this Agreement. Consultant expressly waives all other rights due to him as holder of copyright or other intellectual property rights in the work output, in particular the right to determining a name and to making work accessible. Consultant shall immediately give notice to Company of any invention created under this Agreement.

6.2 Consultant assures that the Services provided by him are free from rights, especially copyright or other commercial protection rights of third parties.

7. **Independent Contractor.** In the performance of the Services, Consultant is and shall at all times act and perform as an independent contractor on the basis of a service agreement pursuant to Sec. 611 et. seqq. of the German Civil Code ("BGB"). Consultant understands that he is not an employee of the Company and shall not be considered as having employee status for any purpose. Consultant is responsible for his own federal and state income, social security, unemployment and disability taxes. Consultant shall timely report and pay all such taxes on the compensation paid by the Company hereunder.

8. **Term.**

8.1 The term hereof shall commence on August 1, 2013, and shall be for an unlimited period of time, if not terminated by either of the Parties giving the other Party not less than 3 months prior notice in writing. The right of the Parties to terminate this Agreement for good cause without notice shall thereby remain unaffected. Any notice of termination must be in writing.

9. **Miscellaneous.**

9.1 Modification. This Agreement embodies the entire agreement and understanding between the Parties hereto and supersedes all prior agreements and understandings, whether written or oral, with respect to the subject matter of this Agreement, unless expressly provided to the contrary in this Agreement. This Agreement may be amended only by a written instrument executed by the Parties hereto.

9.2 Severability. In case single provisions of this Agreement are or prove to be invalid or not enforceable or in case this Agreement should contain gaps, the binding force and effectiveness of the other provisions of this Agreement shall remain unaffected. The invalid or unenforceable provision shall be replaced by such provision(s) which the Parties would have foreseeably agreed upon had they had knowledge of the invalidity, unenforceability or the gap at the time of the signing of this Agreement. Should a provision be or prove to be invalid for the stipulated extent and scope of the respective obligation contained therein, the scope and extent of such obligation shall be adjusted to match the legally admissible extent and scope of obligation.

9.3 Governing Law; Venue. This Agreement and the rights and obligations of the Parties hereto shall be governed by and construed and enforced in accordance with the laws of the Federal Republic of Germany. The venue of any legal action concerning the enforcement or interpretation of this Agreement shall be brought in the state and federal courts located in Munich, Germany (*Landgericht München 1*).

9.4 Counterparts; Facsimile Copies. This Agreement may be executed in one or more counterparts, each of which shall be deemed an original. Facsimile copies hereof may be executed as originals.

IN WITNESS WHEREOF, the Parties hereto have executed this Agreement as of the date first above written.

**COMPANY:**

By: /s/ Stephen S. Yoder

Freising, 9 July 2013

**CONSULTANT:**

/s/ Claus Schalper

For Delivery / Mail

Dr. Hans Küpper

Chairman of the Advisory Board of Pieris AG

17. July 2013

**Subject: Resignation from Office as Vorstand**

Dear Dr. Küpper,

I, Claus Schalper, resign as Vorstand, or management, of Pieris AG, effective July 31, 2013.

Sincerely,

/s/ Claus Schalper

Claus Schalper

**Employment Agreement**

between

1. **Pieris AG**, Lise-Meitner-Str. 30, 85354 Freising, Germany, represented by the Executive Board

- the “**Employer**” ,

and

2. **Dr. Ulrich Moebius**, Am Rain 7, 82131 Gauting, Germany

- the “**Employee**” ,each individually the “**Party**” and jointly the “**Parties**”**§ 1****EMPLOYMENT AND DUTIES**

1. Employer hereby employs the Employee as CSO.
2. Employer is entitled to assign other reasonable duties and responsibilities to the Employee that correspond to his training and his skills and that may result in a change in title or position in Employers’ organization.
3. Employee shall perform his duties well and faithfully in the interests of Employer and will comply with all applicable statutes, regulations, ethical and industrial codes and Employers’ policies as well as all directions lawfully and properly given by Employer.

**§ 2****HOURS OF WORK**

1. The position is fulltime. The normal working hours are 40 hours per week, but the Employee will be required to work such additional hours as are required to perform his duties (including on Saturdays, Sundays and public holidays). Notwithstanding the foregoing, Employee shall be entitled (on a week-by-week basis) to reduce working hours to a minimum of 32 hours per week in order to carry out sideline activities contemplated by § 13(1). Any salary adjustments shall be made on a monthly basis.
2. Specific working hours may be determined from time to time by Employee’s managers.
3. The overall annual payments according to § 5 cover payment for all hours worked and the overall performance.
4. Overtime or time off in lieu will not be available and Employee’s salary covers all aspects of his employment.



**§ 3**  
**EFFECTIVE DATE, TERM**

1. The employment with Employer shall commence on July 15<sup>th</sup>/ August 1<sup>st</sup> 2013 (the “**Start Date**”) and shall be concluded until April 30, 2014.
2. The employment will include an initial trial period of 6 months, commencing on the Start Date (the “**Trial Period**”). During or at the end of this Trial Period or any extension of the Trial Period required by Employer, either the Employee or Employer may terminate the employment by two weeks’ notice in writing to the end of each calendar month (the “**Trial Period Notice**”) without reason and without indemnification.
3. For the avoidance of doubt, Employer or the Employee does not have the right to terminate the employment prior to the Start Date.
4. The employment can be terminated by either party giving to the other in writing with a notice period of three months to the end of each calendar month.
5. The right of extraordinary termination (*außerordentliche Kündigung*) remains unaffected.
6. Any notice of termination must be made in writing.
7. Employer may suspend Employee from the employment after notice of termination on full salary until the end of the notice period. Any remaining holidays will be taken into consideration.

**§ 4**  
**PLACE OF WORK**

Place of work shall be the business seat of Employer, currently Freising.

**§ 5**  
**ANNUAL SALARY**

1. The initial monthly base salary is EUR 15.500,- (in words: Euro fifteen thousand five hundred) (less any deductions required by law) based on a forty (40)-hour work week payable at the end of each calendar month. The annual base salary will be reviewed annually during the employment. Employer is under no obligation to increase Employee’s salary following an annual base salary review.
2. In addition to the remuneration provided for under § 5 (1), dependent upon the achievement of certain targets to be agreed on between the Parties, Employee shall receive an annual bonus payment of up to 20% of annualized salary, based on extent of achievement of corporate and personal objectives as agreed upon with Executive Management and Supervisory Board.
3. Any excess payments have to be repaid. The Employee waives his right according to § 818 Abs. 3 BGB (*Verzicht auf die Geltendmachung des Entreicherungsseinwands*).
4. Employee shall not be entitled to any additional salary in respect of any overtime worked.

**§ 6**  
**EXPENSES**

Employer will reimburse any travelling, hotel, entertainment and other out-of-pocket expenses properly and reasonably incurred by Employee in connection with the discharge of his duties of employment and in accordance with Employers's instructions and general guidelines and procedures. Any abuse of the expenses policy may be treated as a major breach of the terms of employment.

**§ 7**  
**HOLIDAYS**

1. Employee is entitled to 28 working days holiday (in addition to statutory holidays) per annum. Holidays are to be taken at such time or times as may be approved by Employee's manager who should be given at least two weeks' advance notice of the intention to take holiday but who will not unreasonably withhold his or her approval. Holiday entitlement may not be carried forward to a future calendar year unless with the consent of the manager but such carry over may not exceed 5 days and the holiday carried over must be used by 31<sup>st</sup> March in that future calendar year. If Employee starts or leaves Employer during a calendar year, holiday entitlement in respect of that calendar year will be calculated on a pro rata basis. On the termination of the employment, Employee will be entitled to pay in lieu of outstanding holiday entitlement (if any) but must repay any holiday pay received for holiday taken in excess of his actual entitlement.

**§ 8**  
**PERIODS OF ABSENCE, SICKNESS**

1. Employee shall advise Employer without delay and in any event no later than 10:00a.m. if possible on the first day of absence, of any absence from work and the foreseeable duration of such absence. If Employee cannot work due to sickness or injury of less than 3 days, Employee shall, on return to work, complete a self-certification sickness absence form.
2. In the event of any inability to work due to sickness or injury of 3 days or more, Employee shall submit to Employer a certificate from a registered medical practitioner within 3 working days from the first day of absence from work. This certificate must state the reason for the absence and shall also state the anticipated duration of the inability to work.
3. Subject to compliance with 8.1 or 8.2 Employee shall receive his basic salary, less normal deductions, for the time period as set forth in the law of continued remuneration (*Entgeltfortzahlungsgesetz*). The Employee shall transfer any rights against third parties which caused the sickness to Employer. This transfer is limited to the amount Employer has to pay. The Employee has to give any information about the rights to Employer.

**§ 9**

**TRANSFER OF RIGHTS AND PLEDGE OF THE SALARY**

1. No payments based on this Agreement shall be transferred or pledged without prior written consent of the Employer.
2. If legally permitted, all rights of retention (*Zurückbehaltungsrecht*), rights to refuse (*Leistungsverweigerungsrecht*) and rights of compensation (*Aufrechnung*) shall be excluded.

**§ 10**

**CONFIDENTIALITY**

1. Unless it is already in the public domain, Employee will keep secret and shall use his best endeavours to prevent the publication or disclosure of and will not at any time (whether during the employment or thereafter) use for his own or another's advantage, or reveal to any person, firm, company or organisation any trade secrets, or other confidential information of Employer. This information may include, for example, lists and details of employees, customers, distributors, wholesalers, clinical investigators, prescribers of products or others whom Employer are in the habit of dealing with, product details, business methods, market information (including details of adverse events and product complaints), terms of business, technical data, drawings, diagrams, plans, any matter or product in the research or testing stage, clinical trials, information on Employers's marketing or other computer databases, sales and marketing strategy, pricing and discount policy, contracts with customers, distributors, wholesalers or clinical investigators, dealings with prescribers, salary and benefits of employees of Employer, actual and potential contracts or assets of Employer and any other commercial information, which Employee knows or oughts reasonably to have known to be confidential. Confidential information may also include information which has been made available to Employer by a third party and which Employer is obliged to keep confidential.
2. The restrictions contained in clause 10.1 shall not apply to any disclosure or use authorized by the management or required by any applicable law.
3. Any breach of this obligation may lead to an extraordinary termination of this Agreement with immediate effect.

**§ 11**

**EMPLOYER DOCUMENTS AND PROPERTY**

1. All property, including emails, books, papers, materials, documents and photocopies or electronic versions, which relate to the business of Employer is and shall remain the property of Employer. Employee must return this property at Employers's first request or in any event upon suspension from work or termination of the employment.
2. Business records of any kind, including private notes concerning Employers' affairs and activities, shall be carefully kept and shall be used only for business purposes. Copies or extracts of drawings, notes, calculations, statistics and the like as well as any other business documents are only permitted for business purposes.

3. After notice of termination of the employment has been given - irrespective whether the notice is given by Employer or Employee - Employee shall, without delay and without specific request on behalf of Employer, return all working material and other items belonging to Employer, in particular all business documents and copies thereof. Employee shall have no right of retention and no damages claim relating thereto.

## § 12

### INTELLECTUAL PROPERTY

1. In this Agreement, the intellectual property rights means copyrights, patents, utility models, trademarks, service marks, design rights (whether registered or unregistered), database rights, know how, trade or business names and other similar rights or obligations whether registerable or not in any country ("**Intellectual Property Rights**").
2. All Intellectual Property Rights arising in the course of or as a consequence of the employment or other work undertaken by Employee for Employer under this Employment Agreement shall belong to Employer.
3. Employee shall forthwith communicate to Employer any designs, discoveries or inventions or other matters potentially the subject of such Intellectual Property Rights, and shall at the request of Employer deliver to it all documents, drawings, models, samples, prototypes and the like prepared by or for Employer and which relate to such rights.
4. Employee hereby assigns to Employer by way of future assignment all copyrights or other Intellectual Property Rights arising under clause 12.2 (and waive any equivalent moral rights) immediately on their coming into existence. Further, to the extent that full legal title to any Intellectual Property Rights so arising shall fail automatically to belong to Employer by virtue of the provisions of clause 12.2 Employee shall hold such right on trust for Employer absolutely, and shall (notwithstanding the prior termination of this Employment Agreement for any reason) forthwith at the Employers' request execute any document or do anything required by Employer at Employers' expense to vest in it (or as it shall direct) the full legal title to such Intellectual Property Rights and to enable it (or its nominee) to enjoy the benefit of such right.

## § 13

### ADDITIONAL ACTIVITIES/PROHIBITION OF COMPETITION

1. Employee shall on principle be obliged to dedicate his entire working capacity to the tasks and duties under this Employment Agreement. During the term of this employment relationship, any sideline activities (*Nebentätigkeiten*) which Employee takes up against payment or which impair the employment hereunder shall not be admissible except with the prior written approval of Employer. Employee shall be obliged to notify the Employer of any sideline engagement before its beginning. The Employer shall not refuse its approval without cause; for example the employer shall not refuse its approval

for sideline activities related to preparation for future employment with another company after the term of this employment agreement, to the extent the remaining provisions of this Employment Agreement are honoured, notwithstanding the provisions of §13(3).

2. Employee has to report to the management about all sideline activities at the beginning of each following month.
3. During the term of the employment relationship, Employee shall be prohibited from working, whether directly or indirectly, whether on a self-employed basis or as employee, for any competing enterprise or from taking up any self-employed activities capable of competing with the Employer.
4. During the term of the employment relationship, Employee shall refrain from any direct or indirect financial interest in any enterprises competing with the Employer.

**§ 14  
DATA PROTECTION**

1. Employee shall be obliged to create backups of the data on his computer at the end of each week.
2. Employee must not delete any data or make any copies without the prior written consent of Employer.

**§ 15  
EXPIRATION DATE**

All claims of the Employee arising out of the employment and such claims which are related to the employment shall lapse if they are not asserted against the Employer in writing within three months after the assertion of the claim. The claim shall lapse if it is not asserted before the courts within 3 months after receipt of the rejection. Claims of the Employee which accrue during the legal dispute as to termination and which are dependent upon its outcome, are to be asserted in writing within 3 months after a final and legally binding conclusion of the legal dispute, or such shall lapse.

**§ 16  
MISCELLANEOUS**

1. Amendments to this Employment Agreement shall only be valid if made in writing and duly signed by both parties hereto. This shall also apply to this clause.
2. This contract represents the entire agreement and understanding of the parties. Other verbal or written agreements have not been made. This contract supersedes all prior written or verbal agreements (including but not limited to any letters of offer of employment) and employment contracts between the parties.
3. Employee represents and warrants to Employer that he will not by reason of entering into this Employment Agreement, performing any duties under the Employment Agreement, be in breach of any terms of employment with a third party whether expressed or implied or of any other obligation binding on him.

4. In case single provisions of this Employment Agreement are or prove to be invalid or not enforceable or in case this Employment Agreement should contain gaps, the binding force and effectiveness of the other provisions of this Employment Agreement shall remain unaffected. The invalid or unenforceable provision shall be replaced by such provision(s) which the Parties would have foreseeably agreed upon had they had knowledge of the invalidity, unenforceability or the gap as of the time of the signing of this Employment Agreement. Should a provision be or prove to be invalid for the stipulated extent and scope of the respective obligation contained therein, the scope and extent of such obligation shall be adjusted to match the legally admissible extent and scope of obligation.
5. To the extent legally permissible, the exclusive venue for all disputes arising from this Employment Agreement shall be the registered seat of Employer.
6. This Employment Agreement shall be governed by the laws of the Federal Republic of Germany.

**§ 17**  
**COPY OF CONTRACT**

Employee confirms by his own signature that he has received a written copy of this Employment Agreement.

Freising, 26 June 2013  
\_\_\_\_\_  
/s/ Stephen S. Yoder  
Employer

26 June, 2013  
\_\_\_\_\_  
/s/ Ulrich Moebius  
Employee

**Amendment to the  
Employment Agreement  
dated January 28, 2013**

between

1. **Pieris AG**, Lise-Meitner-Str. 30, 85354 Freising, Germany, represented by the Executive Board

- the "Employer" -,

and

2. **Dr. Ulrich Moebius**, Am Rain 7, 82131 Gauting, Germany

- the "Employee" -,

- each individually the "Party" and jointly the "Parties" -

The Parties hereby consent as follows:

**§ 3  
EFFECTIVE DATE, TERM**

1. The employment with Employer shall be concluded until December 31, 2014.

All other clauses of the initial Employment Agreement remain unaffected.

Freising, 27 Jan. 2014

Jan. 27, 2014

/s/ Stephen S. Yoder

/s/ Ulrich Moebius

Employer

Employee

**Amendment to the  
Employment Agreement  
dated October 21, 2014**

between

1. **Pieris AG**, Lise-Meitner-Str. 30, 85354 Freising, Germany, represented by the Executive board

- the “**Employer**” -,

and

2. **Dr. Ulrich Moebius**, Am Rain 7, 82131 Gauting, Germany

- the “**Employee**” -,

- each individually the “**Party**” and jointly the “**Parties**” -

The Parties hereby consent as follows:

**§3  
EFFECTIVE DATE, TERM**

1. The employment with Employer shall be concluded until September 30, 2015.

All other clauses of the initial Employment Agreement remain unaffected.

Freising, 23 Oct 2014

Freising, 23 Oct 2014

/s/ Stephen S. Yoder

/s/ Ulrich Moebius

Employer

Employee



**Management Agreement  
(The "Agreement")**

**between**

1. **PIERIS AG**, Lise-Meitner-Straße 30, 85354 Freising-Weihenstephan, represented by the Supervisory Board

- hereinafter referred to as the "**Company**";

and

2. **Dr. Laurent Audoly**, 17 Easthill Drive, Doylestown, Pennsylvania 18901, USA

- hereinafter referred to as the "**CSO**"

- Company and CSO herein collectively also referred to as the "Parties".

**Preamble**

By resolution of the supervisory board of the Company, dated May 7, 2010, Dr. Laurent Audoly was appointed to the management board to serve as managing director (*Vorstand*) of the Company. In this function, Dr. Laurent Audoly has been appointed as CSO. To regulate the rights and obligations resulting from this appointment, the Parties conclude the following Agreement effective as of May 14, 2010 (the "**Effective Date**").

**§ 1**

**Start and Term of the employment**

1. The employment shall commence on June 1, 2010, and is entered into for a period of 18 (eighteen) months (the "Term"), i.e. this Agreement will end on November 30, 2011. This Agreement will be extended automatically for 1 (one) year, unless it has been terminated in writing by 6 (six) months notice to the end of the Term by either Party. Any automatic or agreed extension of the Term of this Agreement shall be the "Extended Term" for the purposes of this Agreement.
2. The right to effect termination without period of notice for due cause (*aus wichtigem Grund*) shall remain unaffected.
3. Any termination must be in writing.

**§ 2**

**Activity**

1. The CSO shall be employed as a Chief Scientific Officer (*Vorstand für Forschung und Entwicklung*). The field of work shall cover all operational aspects of the Research and Development department, including the Company's proprietary therapeutic drug pipeline. The CSO shall conduct the affairs of the Company with the due care and diligence of a

prudent and conscientious business manager pursuant to the provisions of law, the Articles of Association, the Rules of Procedure for the Board of Managing Directors as issued by the Supervisory Board, and this Agreement. He shall safeguard the Company's interests and shall devote his full working capacity exclusively to the Company.

2. In connection with this Agreement and, unless explicitly agreed otherwise in writing, without any additional remuneration, the CSO shall, upon request of the Company, also assume or resign functions in other enterprises which are affiliated with the Company (sec. 15 German Stock Companies Act (AktG)). This shall apply accordingly with respect to honorary functions in associations and professional organizations, in which the Company or an affiliated company is a member.
3. The Company is entitled to release the CSO at any time from his work with the continued payment of his gross basic remuneration according to § 4 (1) until the end of the term of this Agreement and while offsetting his residual entitlement to vacation.
4. The place of work is Freising.

### § 3

#### Working hours

1. The CSO shall dedicate his entire working capacity to the Company, at least 40 hours a week. The duration and the starting and finishing times of the daily working hours shall be determined by the CSO in consultation with his Executive Management (*Vorstand*) colleagues, and according to his set task within the respectively valid local working hours regulations, in which respect he must take account of operational interests and the respectively valid Company regulations.
2. The CSO is obliged to do overtime or additional work. Overtime is to be done as is required by the situation-related scope of work and in so far as this is legally permissible. The additional work is compensated by the regular salary according to § 4 (1).

### § 4

#### Salary, other benefits

1. The CSO shall receive for his contractual employment an annual gross salary of EUR 210,000.00 (in words: Euro two-hundred thousand ten), payable in twelve (12) equal monthly instalments through transfer to the account to be designated by the CSO with a bank located within Germany. The aforementioned instalments will be paid the last day of each month.
2. In addition, the CSO shall receive for his contractual employment a one-time signing bonus of EUR 40,000.00 (in words: Euro forty thousand) gross (the "**Signing Bonus**"). The Signing Bonus will be paid within 5 business days after execution of this Agreement, through transfer to the bank account to be designated by the CSO.
3. In addition, the CSO shall receive for his contractual employment an annual car allowance of EUR 10,000.00 (in words: Euro ten thousand) gross, payable in twelve (12) equal monthly installments at the time of his monthly salary and through transfer to the account designated under § 4 (1).

4. In addition to the remuneration provided for under §§ 4 (1)-(3), dependent upon the achievement of certain targets to be agreed on between the Parties, the CSO shall receive an annual bonus payment of EUR 30,000.00 (in words: Euro thirty thousand) gross (the “**Annual Bonus**”). The Annual Bonus will be paid each year at year’s end, i.e. December 31, and will be paid pro rata temporis if the employment has not existed the entire year depending on the achievement of the agreed targets, whereby the determination of the fulfilment of the agreed targets is within the sole discretion of the Company. The Company guarantees a bonus in the amount of 50% of the Annual Bonus for the calendar year in which the employment has started, i.e. 2010.
5. The CSO shall be eligible to participate in the existing option pool in such way that the CSO shall be granted a stake of 1.5% (one and one-half percent) in the Company (the “Exit Fee”) in the event of a sale of the shares in the Company or a sale of the assets of the Company (the “Exit”) during the Term (which, for the sake of clarity, shall include any Extended Term). The Exit Fee shall be paid to the CSO promptly upon receipt of funds by the Company and in the form and ratio of consideration (i.e., cash or securities) commensurate with the form and ratio of consideration paid by the acquiring entity. If the CSO has been in active employment with the Company for at least six months he will receive (a) 100% of the Exit Fee if the Exit occurs within 6 (six) months after termination of this employment either because of a notice of termination provided by the Company or because the Company was not prepared to extend this Agreement and (b) 50% of the Exit Fee if the Exit occurs within 12 (twelve) months after termination of the employment either because of a notice of termination provided by the Company or because the Company was not prepared to extend this Agreement. If the CSO provides notice of termination of employment in accordance with § 1 (1) or if the CSO is not prepared to accept the Company’s offer to extend this Agreement beyond the Term, then the CSO shall not be entitled to an Exit Fee for an Exit occurring after the Term.
6. In case of an additional dilutive financing round by the Company, the Exit Fee may be adjusted by the supervisory board accordingly, in good faith.
7. The Company shall incur (either directly or by reimbursing the CSO upon submission of the respective receipts) the relocation costs incurred to the CSO due to the relocation from his current domicile to a domicile near Freising (collectively, the “Relocation Costs”). The Relocation Costs shall be limited to those costs incurred up to 18 (eighteen) months after the Effective Date and to a maximum of EUR 60,000 (in words: Euro sixty thousand).
8. The CSO undertakes to repay any overpayments of salary, including claims arising from the incorrect calculation of taxes and voluntary benefits, to the Company without delay. The CSO waives in this respect the assertion of a plea of a loss of enrichment according to § 818 (3) of the German Civil Code (*Bürgerliches Gesetzbuch*).

9. Hereby the Company declares to pay the contribution rate for health and nursing insurance at the lesser of (i) 50% of the CSO's personal monthly insurance premium and (ii) EUR 350.00 per month.

**§ 5**  
**Travel Expenses**

The CSO shall receive the reimbursement of his expenses at the fiscally recognized rates for trips, which are necessary in the Company's interest. All further details are regulated by the respective valid Company guidelines.

**§ 6**  
**Temporary incapacity to work, continued  
payment of salary in the event of illness or death**

1. The CSO shall notify the Company without delay of every instance of the temporary incapacity to work and its probable duration. On request, the reasons for the temporary inability to work must be indicated.
2. If the CSO is unable to work on account of the temporary incapacity to work due to illness for which he is not responsible, then the Company shall continue to pay his remuneration for a period of 3 (three) months, but no longer than the duration of this Agreement. Reimbursements made by third parties to this effect will be deducted unless such reimbursements solely arise from the CSO's contributions.
3. The CSO shall assign his entitlement to compensation for lost wages to the Company if he sustains injury at the hands of a third party and the Company continues to pay his salary in the case of illness. The assignment shall be limited to the amount of the continued salary payments made by the Company. The CSO is obliged to provide the Company without delay with all the information necessary to pursue said claims. The CSO shall remain obliged to pursue all claims against third parties. Compensation other than for lost wages shall not apply to this § 6(3).
4. In case of death of the CSO during the term of this Agreement, the Company is obliged to pay the monthly remuneration to the widow for three months following death.

**§ 7**  
**Leave**

1. The CSO shall receive 27 working days' leave every calendar year. The CSO will take the Company's respective interests into account.
2. As far as the CSO cannot take the leave until the end of the year due to reasons he is not responsible for, he may take the leave until June 30 of the following year; if the leave is not taken until that point in time, the claim for vacation shall forfeit without any replacement.
3. Leave shall only be granted leave pro rata temporis in the year of the commencement and the termination of this Agreement.

**§ 8**

**Secondary employment and Non-compete obligation**

1. The CSO shall devote his entire working capacity and all of his knowledge, experience, and know-how to the service of the Company and the enterprises affiliated with it. The CSO is free to set his own working hours, which shall be subject to his responsibilities and the requirements of the business.
2. Any other gainful employment requires prior written approval by the Supervisory Board. The assumption of offices in supervisory bodies of other enterprises or of honorary positions in organizations requires prior written approval by the Company. Sec. 88 of the German Stock Corporation Act shall remain unaffected.
3. The Company may deny or, at any time, revoke its approval of a reported secondary activity only if the respective secondary activity, on its own or in conjunction with other secondary activities, raises the prospect of an impairment of the CSO's activity for the Company or for enterprises affiliated with it in the future, or of other interests of the Company or of enterprises affiliated with it in the future.
4. The CSO shall on request of the Company, at any time, but at the latest on termination of this Agreement, resign any offices in supervisory bodies of other enterprises or honorary positions in organizations he assumed in the interest of the Company.
5. The CSO shall not be permitted, during the term of this Agreement, to set up, purchase or participate directly or indirectly in any company, which is in competition with the Company. The purchase of shares of stock and / or business interests, which causes neither any majority shareholding nor any blocking minority within such an enterprise, shall not be barred according to the above mentioned restraint. This Non-Compete Covenant shall only apply to the business areas of activity the Manager was engaged in while performing his contractual duties during the past two years before the end of this Management Agreement. At present, this relates to the areas of activity concerning the discovery and development of Anticalins. This Non-Compete Covenant shall only apply to the geographical region the CSO was engaged in while performing his contractual duties during the past two years before the end of this Agreement.

**§ 9**

**Professional development**

The costs for professional development measures, which are in the Company's interest, shall be borne by the Company.

**§ 10**

**Notification of alterations to personal details**

The CSO must notify the Company without delay of alterations to his personal status and alterations to other data which is contained in the personnel questionnaire.

**§ 11**

**Duty of care; return obligation**

1. The CSO shall be obliged to hold the articles put at his disposal (e.g. keys, electronic data, etc.) in safekeeping.
2. At the Company's request and at the latest when he leaves Company's service, the CSO shall return to the Company without delay and without being requested to do so all files and other documents which concern the business operations of the Company or its affiliated companies which are in his possession or subject to his access - especially all plans, customer lists, price lists, printed matter, certificates, drawings, notes, drafts - and also copies of the said articles, regardless of whether he received them from the Company or from its affiliated companies.

**§ 12**

**Confidentiality obligation**

1. The CSO undertakes to maintain secrecy on all business and company secrets, which he learns during his employment, and also on all other business and company facts of the employment. This shall not apply to facts, which are public knowledge.
2. The confidentiality obligation shall also apply to the time after the termination of the employment.
3. During the period of the employment and any time thereafter, the CSO is also obliged to maintain secrecy on the contents of this contract.
4. A breach of this unconditional obligation shall constitute a serious infringement of the CSO's contractual employment obligations, which if repeated entitles the Company to terminate the employment without notice period.

**§ 13**

**IP Protection**

1. The CSO shall disclose and assign to the Company promptly and fully any future work (including computer software programs) and any invention, improvement, discovery, process, formula, technique, method, trade secret, or other intellectual property, whether or not patentable, whether or not copyrightable, that is made, conceived, developed, or first reduced to practice, either alone or jointly with others, including any associated trade marks, trade names and good will in the area of the Company's business field as described in § 2 of the Articles of Association of the Company and all rights to any related know-how (hereinafter referred to as "Inventions").

2. The CSO hereby assigns to the Company all of his or his right, title and interest in and with respect to any future Inventions, including in particular the right to copy, disseminate, transfer to third parties, (sub-) license exclusively or non-exclusively, adapt and/or modify any such Invention and to apply for intellectual property rights in the Company's own name. To the extent the assignment should not be legally valid, the CSO hereby grants to the Company an exclusive license to use such Invention as described for the entire life of such right. The CSO hereby waives any moral rights he may have under copyright laws, including in particular the right to publish any work, to the extent legally permitted.
3. Such assignment or license shall be deemed compensated by the regular salary according to § 4 (1) above. The parties assume, and hereby agree, that the salary is an appropriate compensation for such assignment or license.

#### **§ 14**

##### **Ancillary agreements and contractual amendments**

Verbal ancillary agreements to this contract have not been made. Amendments and supplements to this contract must be made in writing in order to be effective. The same shall apply to this requirement of the written form.

#### **§ 15**

##### **Expiry deadlines**

1. The claims of both parties arising from the employment and such claims in connection with the employment shall lapse if they have not been asserted in writing against the other contracting party within three months after falling due.
2. If the counter-party rejects the claim or does not reply within two weeks after the assertion of the claim, then the said claim shall lapse if it is not asserted in court within a period of 3 further months after the rejection or the expiry of the deadline. This shall not apply to claims for payment of the CSO which fall due during dismissal proceedings and which depend on the outcome of the proceedings. For these claims, the expiry deadline of three months shall commence after the final and absolute conclusion of the unlawful dismissal proceedings.

#### **§ 16**

##### **Miscellaneous**

1. If a provision of this contract is or becomes legally ineffective or unfeasible in whole or in part, then the validity of the remaining provisions of this contract shall not thus be affected in case of doubt. On the contrary, the provision, which is legally ineffective or unfeasible in whole or in part, is to be replaced by a provision, which is closest in commercial terms to the meaning and purpose of the provision, which is ineffective or unfeasible in whole or in part. The same shall apply in the case of gaps in this contract.
2. If, as a result of an alteration to the legislation or Supreme Court rulings or on account of other circumstances, a provision of this contract becomes invalid, then the provision shall automatically be adapted in line with the new legal position. The validity of the remaining provisions shall not thus be affected.

3. Any amendment to this Agreement shall only be effective when entered into in writing and signed on behalf of both Parties.
4. This Agreement shall be governed exclusively by German law.

**§ 17**  
**Copy of contract**

The CSO confirms by his own signature that he has received a written copy of this contract.

Freising, May 14, 2010

May 18, 2010

/s/ Hans Küpper

/s/ Laurent Audoly

Company

CSO



## CONSULTING AGREEMENT

This Consulting Agreement (the "Agreement") is made effective as of November 19<sup>th</sup>, 2014 (the "Effective Date"), by and between Pieris AG, a German stock corporation, with its principal place of business Lise-Meitner-Strasse 30, 85354 Freising-Weihenstephan, Germany (the "Company") and Danforth Advisors, LLC, a Massachusetts limited liability corporation, with its principal place of business being 91 Middle Road, Southborough, MA 01772 ("Danforth"). The Company and Danforth are herein sometimes referred to individually as a "Party" and collectively as the "Parties."

WHEREAS, the Company possesses know-how and proprietary technology related to the field of Anticalin<sup>®</sup>-brand proteins;

WHEREAS, the Company is preparing for a share exchange whereby the Company will become a whole owned subsidiary of Pieris Pharmaceuticals, Inc., a Nevada corporation, with its principal place of business remaining the same (the "Acquisition");

WHEREAS, Danforth has expertise in financial and corporate operations and strategy, including financial reporting requirements for U.S. publicly traded companies;

WHEREAS, Danforth desires to serve as an independent consultant for the purpose of providing the Company with certain strategic and financial advice and support services, as more fully described in Exhibit A attached hereto, (the "Services"); and

WHEREAS, the Company wishes to engage Danforth on the terms and conditions set forth herein.

NOW THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt of which are hereby acknowledged, the Parties agree and covenant as follows.

1. Services of Consultant. Danforth will assist the Company and any of its Affiliates with matters relating to the Services. The Services are more fully described in Exhibit A attached hereto. Danforth and the Company will review the Services on a monthly basis to prioritize and implement the tasks listed on Exhibit A. Affiliate" means, with respect to a Party, any Person controlling, controlled by or under common control with such Party, for so long as such control exists. For the purposes of this definition, "control" means: (a) to possess, directly or indirectly, the power to direct the management and policies of such Person, whether through ownership of voting securities or by contract relating to voting rights or corporate governance; or (b) ownership of more than fifty percent (50%) of the voting securities in such Person (or such lesser percent as may be the maximum that may be owned pursuant to applicable laws of the country of incorporation or domicile, as applicable).
2. Compensation for Services. In full consideration of Danforth's full, prompt and faithful performance of the Services, the Company shall compensate Danforth a consulting fee

more fully described in Exhibit A (the “Consulting Fee”). Danforth shall, from time to time, but not more frequently than twice per calendar month invoice the Company for Services rendered and such invoice will be paid upon fifteen (15) days of receipt. Each month the Parties shall evaluate jointly the current fee structure and scope of Services. Upon termination of this Agreement pursuant to Section 3, no compensation or benefits of any kind as described in this Section 2 shall be payable or issuable to Danforth after the effective date of such termination. In addition, the Company will reimburse Danforth for reasonable out-of-pocket business expenses, including but not limited to travel and parking, incurred by Danforth in performing the Services hereunder, upon submission by Danforth of supporting documentation reasonably acceptable to the Company. Any such accrued expenses in any given three (3) month period that exceed one thousand dollars (\$1,000) shall be submitted to the Company for its prior written approval.

3. Term and Termination. The term of this Agreement will commence on the Effective Date and will continue through the anniversary of such date in the next calendar year (the “Term”). This Agreement may be extended for an additional period by mutual written agreement. This Agreement may be terminated by either Party hereto: (a) with Cause (as defined below), upon thirty (30) days’ prior written notice to the other Party; or (b) without cause upon sixty (60) days’ prior written notice to the other Party. For purposes of this Section 3, “Cause” shall include: (i) a breach of the terms of this Agreement which is not cured within thirty (30) days of written notice of such default or (ii) the commission of any act of fraud, embezzlement or deliberate disregard of a rule or policy of the Company.
4. Time Commitment. Danforth will devote such time to perform the Services under this Agreement as may reasonably be required.
5. Place of Performance. Danforth will perform the Services at such locations upon which the Company and Danforth may mutually agree. Danforth will not, without the prior written consent of the Company, perform any of the Services at any facility or in any manner that might give anyone other than the Company any rights to or allow for disclosure of any Confidential Information (as defined below).
6. Compliance with Policies and Guidelines. Danforth will perform the Services in accordance with all rules or policies adopted by the Company that the Company discloses in writing to Danforth.
7. Confidential Information. Danforth acknowledges and agrees that during the course of performing the Services, the Company may furnish, disclose or make available to Danforth information, including, but not limited to, material, compilations, data, formulae, models, patent disclosures, procedures, processes, business plans, projections, protocols, results of experimentation and testing, specifications, strategies and techniques, and all tangible and intangible embodiments thereof of any kind whatsoever (including, but not limited to, any apparatus, biological or chemical materials, animals, cells, compositions, documents, drawings, machinery, patent applications, records and reports), which is owned or controlled by the Company and is marked or designated as confidential at the time of disclosure or is of a type that is customarily considered to be

confidential information (collectively the “Confidential Information”). Danforth acknowledges that the Confidential Information or any part thereof is the exclusive property of the Company and shall not be disclosed to any third party without first obtaining the written consent of the Company. Danforth further agrees to take all practical steps to ensure that the Confidential Information, and any part thereof, shall not be disclosed or issued to its affiliates, agents or employees, except on like terms of confidentiality. The above provisions of confidentiality shall apply for a period of five (5) years.

8. Intellectual Property. Danforth agrees that all ideas, inventions, discoveries, creations, manuscripts, properties, innovations, improvements, know-how, inventions, designs, developments, apparatus, techniques, methods, and formulae that Danforth conceives, makes, develops or improves as a result of performing the Services, whether or not reduced to practice and whether or not patentable, alone or in conjunction with any other party and whether or not at the request or upon the suggestion of the Company (all of the foregoing being hereinafter collectively referred to as the “Inventions”), shall be the sole and exclusive property of the Company. Danforth hereby agrees in consideration of the Company’s agreement to engage Danforth and pay compensation for the Services rendered to the Company and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged that Danforth shall not, without the prior written consent of the Company, directly or indirectly, consult for, or become an employee of, any company which conducts business in the Field of Interest anywhere in the world. As used herein, the term “Field of Interest” shall mean the research, development, manufacture and/or sale of the products resulting from the Company’s technology. The limitations on competition contained in this Section 8 shall continue during the time that Danforth performs any Services for the Company (whether as a consultant, employee or otherwise), and for a period of three (3) months following the termination of any such Services that Danforth performs for the Company. If any part of this section should be determined by a court of competent jurisdiction to be unreasonable in duration, geographic area, or scope, then this Section 8 is intended to and shall extend only for such period of time, in such area and with respect to such activity as is determined to be reasonable. Except as expressly provided herein, nothing in this Agreement shall preclude Danforth from consulting for or being employed by any other person or entity.
9. Non Solicitation. All personnel representing Danforth are employees or contracted agents of Danforth. As such, they are obligated to provide the Services to the Company and are obligated to Danforth under confidentiality, non-compete, and non-solicitation agreements. Accordingly, they are not retainable as employees or contractors by the Company and the Company hereby agrees not to solicit, hire or retain their services for so long as they are employees or contracted agents of Danforth and for one (1) year thereafter; **provided, however**, that this Section 9 shall not apply if an employee or contracted agent of Danforth ceases an employment arrangement without any active inducement by Company to do so. Should the Company violate this restriction, it agrees to pay Danforth liquidated damages equal to fifteen thousand (\$15,000) dollars for each Danforth employee or contracted agent solicited and/or hired by the Company in violation of this Agreement, plus Danforth’s reasonable attorneys’ fees and costs incurred in enforcing this agreement should the Company fail or refuse to pay the liquidated damages amount in full within thirty (30) days following its violation.

10. Placement Services. In the event that Danforth refers a potential employee to the Company and that individual is hired, Danforth shall receive a fee equal to ten percent (10%) of the employee's starting annual base salary. This fee is due and owing whether an individual is hired, directly or indirectly on a permanent basis or on a contract or consulting basis by the Company, as a result of Danforth's efforts within one (1) year of the date applicant(s) are submitted to the Company. Such payment is due within thirty (30) days of the employee's start date.
11. No Implied Warranty. Except for any express warranties stated herein, the Services are provided on an "as is" basis, and the Company disclaims any and all other warranties, conditions, or representations (express, implied, oral or written), relating to the Services or any part thereof. Further, in performing the Services Danforth is not engaged to disclose illegal acts, including fraud or defalcations, which may have taken place. The foregoing notwithstanding, Danforth will promptly notify the Company if Danforth becomes aware of any such illegal acts during the performance of the Services. Because the Services do not constitute an examination in accordance with standards established by the American Institute of Certified Public Accountants (the "AICPA"), Danforth is precluded from expressing an opinion as to whether financial statements provided by the Company are in conformity with generally accepted accounting principles or any other standards or guidelines promulgated by the AICPA, or whether the underlying financial and other data provide a reasonable basis for the statements.
12. Indemnification. Each Party hereto agrees to indemnify and hold the other Party hereto, its directors, officers, agents and employees harmless against any claim based upon circumstances alleged to be inconsistent with such representations and/or warranties contained in this Agreement. Further, the Company shall indemnify and hold harmless Danforth and any of its subcontractors against any claims, losses, damages or liabilities (or actions in respect thereof) that arise out of or are based on the Services performed hereunder, except for any such claims, losses, damages or liabilities arising out of the gross negligence or willful misconduct Danforth or any of its subcontractors. The Company will add Consultant and any applicable subcontractor to its insurance policies as additional insureds, including without limitation the Company's Directors and Officers liability insurance.
13. Independent Contractor. Danforth is not, nor shall Danforth be deemed to be at any time during the term of this Agreement, an employee of the Company, and therefore Danforth shall not be entitled to any benefits provided by the Company to its employees, if applicable. Danforth's status and relationship with the Company shall be that of an independent contractor and consultant. Danforth shall not state or imply, directly or indirectly, that Danforth is empowered to bind the Company without the Company's prior written consent. Nothing herein shall create, expressly or by implication, a partnership, joint venture or other association between the parties. Danforth will be solely responsible for payment of all charges and taxes arising from his or her relationship to the Company as a consultant.

14. Records. Upon termination of Danforth's relationship with the Company, Danforth shall deliver to the Company any property or Confidential Information of the Company relating to the Services which may be in its possession including products, project plans, materials, memoranda, notes, records, reports, laboratory notebooks, or other documents or photocopies and any such information stored using electronic medium.
15. Notices. Any notice under this Agreement shall be in writing (except in the case of verbal communications, emails and teleconferences updating either Party as to the status of work hereunder) and shall be deemed delivered upon personal delivery, one day after being sent via a reputable nationwide overnight courier service or two days after deposit in the mail or on the next business day following transmittal via facsimile. Notices under this Agreement shall be sent to the following representatives of the Parties:

If to the Company:

Name: Stephen Yoder  
Title: Chief Executive Officer  
Address: Lise-Meitner-Strasse 30,  
85354 Freising-Weihenstephan,  
Germany

If to Danforth:

Name: Gregg Beloff  
Title: Managing Director  
Address: 91 Middle Road  
Southborough, MA 01772  
Phone: 1 617 686-7679  
E-mail: [gbeloff@danforthadvisors.com](mailto:gbeloff@danforthadvisors.com)

16. Assignment and Successors. This Agreement may not be assigned by a Party without the consent of the other which shall not be unreasonably withheld, except that each Party may assign this Agreement and the rights, obligations and interests of such Party, in whole or in part, to any of its Affiliates, to any purchaser of all or substantially all of its assets or to any successor corporation resulting from any merger or consolidation of such Party with or into such corporation. The parties hereto acknowledge that effective from and after the Acquisition "Company" shall mean Pieris Pharmaceuticals, Inc.
17. Force Majeure. Neither Party shall be liable for failure of or delay in performing obligations set forth in this Agreement, and neither shall be deemed in breach of its obligations, if such failure or delay is due to natural disasters or any causes beyond the reasonable control of either Party. In event of such force majeure, the Party affected thereby shall use reasonable efforts to cure or overcome the same and resume performance of its obligations hereunder.

18. Headings. The Section headings are intended for convenience of reference only and are not intended to be a part of or to affect the meaning or interpretation of this Agreement.
19. Integration; Severability. This Agreement is the sole agreement with respect to the subject matter hereof and shall supersede all other agreements and understandings between the Parties with respect to the same. If any provision of this Agreement is or becomes invalid or is ruled invalid by any court of competent jurisdiction or is deemed unenforceable, it is the intention of the Parties that the remainder of the Agreement shall not be affected.
20. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts, excluding choice of law principles. The Parties agree that any action or proceeding arising out of or related in any way to this Agreement shall be brought solely in a Federal or State court of competent jurisdiction sitting in the Commonwealth of Massachusetts.
21. Counterparts. This Agreement may be executed in counterparts, each of which will be deemed an original, but all of which together will constitute one agreement.

If you are in agreement with the foregoing, please sign where indicated below, whereupon this Agreement shall become effective as of the Effective Date.

DANFORTH ADVISORS, LLC

Pieris, AG

By: /s/ Gregg Beloff

By: /s/ Stephen S. Yoder

Print Name: Gregg Beloff  
Title: Managing Director

Print Name: Stephen S. Yoder  
Title: CEO

Date: December 1, 2014

Date: December 12, 2014

## EXHIBIT A

### Description of Services and Schedule of Fees

Danforth will perform mutually agreed to finance, accounting and other administrative functions (the “Services”) which are necessary to support the achievement of the Company and any of its Affiliates’ strategic and financial objectives, and the management of the Company and any of its Affiliates’ business.

#### Prior to the Acquisition:

- Financial support for the planned Acquisition, and associated financing and regulatory activities, as needed. Such support would include, without limitation:
  - Review of financial statements, filings with the United States Securities and Exchange Commission (SEC) and other regulatory filings and other relevant documents
  - Interacting with/coordinating the activities of internal staff and external professionals (lawyers, investment bankers, auditors, financial printers, etc.) to ensure project timelines and objectives are met
  - Investor and Board communications, in coordination with the CEO
  - Any financial analyses that may be required or helpful

#### Post-Acquisition:

- Establishing appropriate SEC compliance/reporting systems.
  - Define projected reporting calendar for routine or predictable reporting requirements
  - Identify the types of non-routine events that might trigger an off-cycle reporting requirement
    - Communicate with/educate Pieris management about these non-routine events
    - Establish a procedure to ensure non-routine events are raised to the CFO and/or CEO in a timely manner, so that timely reporting can occur
  - Assist in the development Corporate Governance Guidelines, Code of Conduct, appropriate Board committee charters, etc.
  - Working with Pieris management and Board, identify and put in place the resources needed for cost-effective, ongoing compliance and reporting, balancing costs against accuracy and timeliness
- Establish a US-based treasury function, to address, among other things:
  - The funding of Pieris AG, including currency exchange transactions
  - The establishment of banking accounts in the US
  - A corporate investment policy
  - A risk management program, including without limitation D&O and other essential insurance coverages

- Active involvement in the execution and ongoing refinement of investor relations strategy, the primary objective of which is to improve liquidity for Pieris' stock. Participation in quarterly earnings calls is expected and additional activities, to be further defined, are anticipated.
- Review of internal control procedures, systems and finance/accounting resources at Pieris AG to ensure consistency with U.S. regulatory requirements, and proposed remediation as appropriate.
- Operational support for the establishment of the US location; payroll, HR/benefits, payables, etc.
- Integration of financial and operational systems between US and German locations

Other services that would normally fall within the purview of a chief financial officer of a publicly traded company and which would be provided on an ongoing basis include, without limitation:

- Preparation and/or review of periodic SEC filings and certification of such filings as the principal financial officer and principal accounting officer
- Financial support for strategic business planning and business development / licensing
- Strategic opportunity assessment
- Board, Audit, Compensation, and Corporate Governance committee meeting preparation, support and attendance
- Stock option plan management
- Capitalization table management

The services described above will be provided by Darlene Deptula-Hicks. Recognizing the need to prioritize activities and refine the definition and scope of the services to be provided, Danforth proposes to review the list of services with the CEO on a periodic basis to ensure alignment and establish clear expectations.

In delivering the services, Ms. Deptula-Hicks would coordinate efforts with a VP Finance, a more senior controller or a more junior controller, depending on Ms. Deptula-Hicks and Pieris' assessment of the need, and others within Danforth as appropriate, to ensure timelines are met in a cost-effective manner. For clarity, efforts on specific items outlined above may not be exclusive to either Ms. Deptula-Hicks or other staff; the skills of different people may be required to address many, if not most, of the tasks identified. Danforth will employ a team approach to meeting Pieris' needs.



## Financial Terms

Danforth will provide the services outlined for an hourly fee, as follows:

CFO: Darlene Deptula-Hicks	\$280/hour
VP Finance/Senior Controller	\$ 170/hour
Junior Controller	\$ 135/hour

Travel time will not be included in the expected time commitment, and will be charged at \$140 per hour for Ms. Deptula-Hicks, \$85 per hour for a VP Finance/Senior Controller and \$67.50/hour for a junior controller. The foregoing notwithstanding, Pieris will not be charged for travel time if Danforth staff perform work for clients other than Pieris while traveling, or for more than six hours of travel time per day.

In addition, the Company will reimburse Danforth for reasonable out-of-pocket business expenses, including but not limited to travel and parking, incurred by Danforth in performing the Services hereunder, upon submission by Danforth of supporting documentation reasonably acceptable to the Company. Any such accrued expenses in any given three (3) month period that exceed one thousand dollars (\$1,000) shall be submitted to the Company for its prior written approval.

Hier entsteht Zukunft [The future is shaped here]

**Innovations-  
und Gründerzentrum  
Biotechnologie IZB**  
Martinsried • Freising

Förderges. IZB mbH, Am Klopferspitz 19, 82152 Planegg

Pieris AG  
Lise-Meitner-Straße 30  
85354 Freising Weihenstephan

[stamp:] RECEIVED  
09 May 2011  
-----

**Elke Erger**  
**Telephone: +49 (89) 70 06 56 70**  
**Fax: +49 (89) 70 06 56 77**  
**E-mail: immo@izb-martinsried.de**

Martinsried, 05/04/2011

**Permanent invoice for lease no. 2011-063**  
**2<sup>nd</sup> supplemental agreement to lease agreement numbers A-0037 and A-0052**  
**Here: Switch to unspecified terms and modification of lease terms and conditions effective**  
**05/01/2011**

Ladies and Gentlemen:

As agreed with Dr. Zobel, we hereby modify your lease terms and conditions effective 05/01/2011 as follows:

<b>Rental account no. 130222</b>			
<b>- 1st upper floor units 1.01 to 1.08 -</b>			
	<u>approx. m<sup>2</sup></u>	<u>€/m<sup>2</sup></u>	<u>€</u>
Office and laboratory spaces including common and functional spaces	449.60	12.50	<b>5,620.00</b>
Increase in rent payments for the renovation		0.00	<b>0.00</b>
monthly advance payment of ancillary fees (exclusive of heating, hot water and air conditioning)	449.60	4.00	<b>1,798.40</b>
monthly advance payment for heating, hot water and air conditioning	449.60	1.50	<b>674.40</b>
Assigned parking spaces	2	40.00	<b>80.00</b>
Subtotal			<b>8,172.80</b>
plus value-added-tax	19%		<b>1,552.83</b>
<b>Total amount</b>			<b><u>9,725.63</u></b>

<b>Rental account no. 130251</b>			
<b>– 1st upper floor units 1.09 to 1.24 –</b>			
	approx. m <sup>2</sup>	€/m <sup>2</sup>	€
Office and laboratory spaces including common and functional spaces	816.21	12.50	<b>10,202.63</b>
monthly advance payment of ancillary fees (exclusive of heating, hot water and air conditioning)	816.21	4.00	<b>3,264.84</b>
monthly advance payment for heating, hot water and air conditioning	816.21	1.50	<b>1,224.32</b>
Assigned parking spaces	15	40.00	<b>600.00</b>
<b>Subtotal</b>			<b>15,291.79</b>
plus value-added-tax	19%		<b>2,905.44</b>
<b>Total amount</b>			<b>18,197.23</b>

<b>Rental account no. 130163</b>			
<b>– Ground floor unit 0.08 –</b>			
	approx. m <sup>2</sup>	€/m <sup>2</sup>	€
Office and laboratory spaces including common and functional spaces	99.12	12.50	<b>1,239.00</b>
monthly advance payment of ancillary fees (exclusive of heating, hot water and air conditioning)	99.12	4.00	<b>396.48</b>
monthly advance payment for heating, hot water and air conditioning	99.12	1.50	<b>148.68</b>
Assigned parking spaces	0	40.00	<b>0.00</b>
<b>Subtotal</b>			<b>1,784.16</b>
plus value-added-tax	19%		<b>338.99</b>
<b>Total amount</b>			<b>2,123.15</b>

Managing Director:  
Dr. Peter Hanns Zobel

Local Court Munich  
HRB 111930

[photo]

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82152 Planegg/Martinsried  
Tel.: +49(0)89/700 65 670  
Fax: +49(0)89/700 65 677  
office@izb-martinsried.de  
www.izb-online.de

Banking information:  
Kreissparkasse Munich  
Routing no. 702 501 50  
Account no. 10 032 233  
Tax ID No. 143/137/60457  
VAT ID No. DE 177 565 691

<b>Rental account no. 130111</b>			
<b>– Basement unit no. 1.31 –</b>			
	approx. m <sup>2</sup>	€/m <sup>2</sup>	€
Rooms in basement	26.39	9.20	<b>242.79</b>
monthly advance payment of ancillary fees (exclusive of heating, hot water and air conditioning)	26.39	4.00	<b>105.56</b>
monthly advance payment for heating, hot water and air conditioning	26.39	1.50	<b>39.59</b>
Subtotal			<b>387.94</b>
plus value-added-tax		19%	<b>73.71</b>
<b>Total amount</b>			<b><u>461.65</u></b>

<b>Rental account no. 130121</b>			
<b>– Basement unit no. 1.33 –</b>			
	approx. m <sup>2</sup>	€/m <sup>2</sup>	€
Rooms in basement	23.43	9.20	<b>215.54</b>
monthly advance payment of ancillary fees (exclusive of heating, hot water and air conditioning)	23.43	4.00	<b>93.72</b>
monthly advance payment for heating, hot water and air conditioning	23.43	1.50	<b>35.15</b>
Subtotal			<b>344.41</b>
plus value-added-tax		19%	<b>65.44</b>
<b>Total amount</b>			<b><u>409.85</u></b>

Managing Director:  
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[photo]

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Furthermore, in both agreements § 2 (1) will be modified as follows:

**The lease agreement will be renewed for an unspecified time. The termination period shall be 8 months prior to the end of any quarter.**

The other agreements specified in the Principal Lease Agreements shall remain unaffected by this Agreement.

We kindly ask you to confirm your approval of these changes on the duplicate of this letter and to return this copy to us.

Of course, we are happy to answer any questions you may have.

With kind regards,

Fördergesellschaft IZB mbH

/s/ Dr. Peter Hanns Zobel  
Dr. Peter Hanns Zobel  
Managing Director

/s/ Elke Erger  
ppa Elke Erger  
Property Management

Managing Director:  
Dr. Peter Hanns Zobel

Local Court Munich  
HRB 111930

[photo]

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VAT ID No. DE 177 565 691

**Convertible Bridge Loan Agreement**

**Dated November 12, 2012**

**between**

1. **Pieris AG**, whose principal place of business is at Lise-Meitner-Str. 30, 85354 Freising, Germany (the “**Company**”), represented by its management board, consisting of Stephen Yoder, Claus Schalper and Dr. Laurent Audoly, and its supervisory board, being represented by its chairman, Dr. Hans A. Küpper, and
2. the persons listed in **Exhibit A**, who are the shareholders of the Company (the “**Shareholders**”).
3. The Company and the Shareholders shall be jointly referred to as the “**Parties**”.

**Preamble**

1. The Shareholders are the current holders of all shares in the Company, which is registered in the commercial register of the local court of Munich (hereinafter referred to as the “**Commercial Register**”) under no. HRB 133223. The object of the Company is biotechnological research as well as the development and distribution of the research results.
2. With regard to the Company a series of rounds of financing providing for equity capital were closed and corresponding agreements were entered into, in particular the Investment Agreement and the Shareholders Agreement both dated October 23, 2002, the Investment Agreement dated October 14, 2004 (file no. V2519/2004 of the notary Dr. Oliver Vossius, Munich) and the Investment Agreement and the Shareholders Agreement both dated November 13, 2006. All aforementioned agreements were consolidated and replaced by the Consolidated Shareholders’ Agreement 2008 and Investment Agreement both dated March 26, 2008.

3. The current shareholding in the Company is as follows:

<u>Name of Shareholder</u>	<u>Number of Common Shares</u>	<u>Number of Preferred Shares Series A</u>	<u>Number of Preferred Shares Series A-1</u>	<u>Number of Preferred Shares Series B</u>
Prof. Skerra Bet. GmbH	43,663			
Dr. Steffen Schlehuber	1,162			
Claus Schalper	870			
Dr. Karsten Schürle	584			
MAPO Bet. GmbH	5,664			
BioM AG	2,950			1,852
BioM Venture Capital GmbH & Co. KG	1,870	40,537	8,277	5,926
Transconnect Corporate Finance Beratungs GmbH	3,230	6,755	2,570	6,189
The Global Life Science Ventures Fonds II GmbH & Co. KG		45,606	17,358	31,035
The Global Life Science Ventures Fund II LP		35,474	13,501	24,139
Gilde Europe Food & Agribusiness Fund B.V.		81,080	30,858	55,174
Baytech Venture Capital GmbH & Co. KG		60,812	9,312	9,312
Coöperatieve AAC LS U.A.		54,049	14,070	33,575
KfW			22,973	11,324
Technologie Beteiligungsfonds II Bayern GmbH & Co. KG			13,513	6,659
Orbimed Private Investments III, LP				183,438
Orbimed Associates III, LLC				1,747
Novo Nordisk A/S				92,593
<b>Total</b>	<b>59,993</b>	<b>324,313</b>	<b>132,432</b>	<b>462,963</b>

4. The Company now seeks a bridge financing amounting to a total of EUR 2,000,000 in this financing round (the “**2012 Financing Round**”) to be provided by a convertible bridge loan granted to the Company by those shareholders of the Company listed in the table in Sec. 1 para. (2) of this Convertible Bridge Loan Agreement (the “**Investors**”).

5. To this end, the Investors intend to make available to the Company a bridge loan in the total amount of EUR 2,000,000 which shall be convertible into shares of the Company, subject to the terms and conditions of this Convertible Bridge Loan Agreement. The Investors were initially offered an investment in the Convertible Bridge Loan pro rata their shareholding in the shares of the Company. As one or several Investors did not participate in the granting of the Convertible Bridge Loan with their pro rata share of the loan, the

remaining principal amount of the Convertible Bridge Loan was offered to the other Investors pro rata their shareholding among such other Investors, resulting in the principal amount of the Convertible Bridge Loan being divided as displayed in Sec. 1 para. (2) of this Convertible Bridge Loan Agreement.

6. The Parties intend to regulate their current and future relationship as shareholders of the Company by entering into a separate consolidated shareholders' agreement (the "**CSA 2012**"), attached hereto as **Exhibit B**. The CSA 2012 shall form an integral part of this Convertible Bridge Loan Agreement. Terms used but not defined herein shall have the same meaning as given to them in the CSA 2012. Upon this Convertible Bridge Loan Agreement and the CSA 2012 coming into force, all prior agreements between the undersigning parties regulating their relationship as shareholders of the Company, including but not limited to the agreements mentioned in para. (2) of this Preamble, are terminated and finally superseded.
7. It is the common intention of the Parties that the shares of the Company are listed at a stock exchange or that the Company or all or part of its assets are sold or licensed to a third party on or before the Maturity Date (as such term is defined below) in order to repay the Convertible Bridge Loan on or before the Maturity Date.

NOW, THEREFORE, the Parties hereto enter into the following Convertible Bridge Loan Agreement (hereinafter referred to as this "**Agreement**"):

**Sec. 1.**  
**Convertible Bridge Loan**

1. Subject to subject to the terms and conditions of this Agreement, the Investors grant to the Company a loan in the amount of Euro 2,000,000 which shall be convertible into shares of the Company, subject to the terms and conditions of this Agreement (the "**Convertible Bridge Loan**").



2. The principal amount of the Convertible Bridge Loan shall be divided between the Investors as follows (individually a “**Loan Amount**” and collectively, the “**Loan Amounts**”):

<u>Investor</u>	<u>Loan Amount in EUR</u>
Orbimed Private Investments III, LP	492.113
Orbimed Associates III, LLC	4.687
Novo Nordisk A/S	199.606
Transconnect Corporate Finance Beratungs GmbH	50.285
BioM AG	164.751
BioM Venture Capital GmbH & Co. KG	0
The Global Life Science Ventures Fonds II GmbH & Co. KG	252.173
The Global Life Science Ventures Fund II LP	196.145
Gilde Europe Food & Agribusiness Fund B.V.	421.015
Baytech Venture Capital GmbH & Co. KG	0
Coöperatieve AAC LS U.A.	219.225
KfW	0
Technologie Beteiligungsfonds II Bayern GmbH & Co. KG (BayernKapital)	0
<b>Total</b>	<b><u>2,000,000.00</u></b>

3. All Shareholders hereby expressly consent to the distribution of the principal amount of the Convertible Bridge Loan among the Investors pursuant to para. (2) of this Sec. 1 and waive any subscription rights or similar rights in relation to the Convertible Bridge Loan.
4. The Loan Amounts shall be paid out by the Investors to the Company within ten (10) bank working days in Frankfurt/Main, Germany, after the closing of this Agreement to an account submitted by the Company to the Investors in writing.

## **Sec. 2.**

### **Use of proceeds**

The Company shall use the Convertible Bridge Loan solely for general corporate purposes.

## **Sec. 3.**

### **Term**

The Convertible Bridge Loan is granted until December 31, 2013 (the “**Maturity Date**”).

**Sec. 4.  
Interest**

The Loan Amounts shall bear interest on the amount outstanding until the Loan Amounts are repaid at a rate of 12% per annum on or before the Maturity Date. If and to the extent the Loan Amounts have not been repaid by the Maturity Date, the Loan Amounts shall from then on bear interest on the amount outstanding at a rate of 18% per annum. The interest is to be calculated on the basis of a year with 360 days with 12 months of 30 days each. The interest on the Loan Amounts is due and payable upon repayment of the Loan Amounts to the Investors. If the Convertible Bridge Loan is converted into shares of the Company as provided in this Agreement, the respective formula set out in Sec. 11 of this Agreement shall apply.

**Sec. 5.  
Termination and Repayment**

1. The Investors are entitled to terminate the Convertible Bridge Loan and request the repayment of the Loan Amounts plus any interest accrued thereon
  - a. on or at any time after the Maturity Date or
  - b. in case of the closing of an Exit Event (as such term is defined in Sec. 11 para (1) of the CSA 2012) or
  - c. in case of the closing of a financing of the Company lead by a financial or strategic investor currently not affiliated with the Company resulting in aggregate proceeds available to the Company of not less than EUR 10,000,000 (“**Qualified Financing**”), or
  - d. in case of the closing of a partnering, collaboration, license or any similar business agreement resulting in aggregate proceeds available to the Company of not less than EUR 5,000,000, the termination of the Convertible Bridge Loan in accordance with this lit. (d) requiring, to be effective, the consent of the supervisory board of the Company, which shall pass a resolution based on the needs of the Company.

2. The Company and the Investors are entitled to terminate the Convertible Bridge Loan for good cause (*aus wichtigem Grund*) at any time. Furthermore and notwithstanding the foregoing, each Investor individually is entitled to terminate the respective Loan Amount. Good cause for the Investors includes, without limitation, the following events:
  - a. voluntary bankruptcy / insolvency events (in particular if the Company is insolvent within the meaning of § 17 German Insolvency Code (*Insolvenzordnung*) or if the Company applies for such proceedings to be commenced or offers an out-of-court settlement in order to avoid such proceedings); or
  - b. the opening of involuntary bankruptcy / insolvency proceedings (*Eröffnung eines Insolvenzverfahrens*) over the Company's assets.
3. The termination right pursuant to para. (1) and (2) of this Sec. 5 must be exercised in writing.
4. In case the Convertible Bridge Loan or a Loan Amount is validly terminated, the Company is obliged to repay the Loan Amounts or Loan Amount, respectively (plus interest accrued until that date), within five (5) bank working days in Frankfurt/Main, Germany.

**Sec. 6.  
Payments**

1. Unless an Investor gives other instructions in writing to the Company, all payments to be made to the respective Investor under this Agreement shall exclusively be made by money transfer in Euros to an account of the respective Investor submitted to the Company in writing.
2. In the case the Company makes payments to the Investors, it is obliged to treat the Investors equally. Therefore, all payments to the Investors have to be made at the same time and pro rata their Loan Amounts.
3. As far as the Company makes payments to the Investors disregarding the regulation under para. (2) of this Sec. 6, the Investors undertake vis-à-vis each other to compensate each other for such deviating payment to the ex-tent the aggrieved Investor would have received payments if the Company had considered the regulations under para. (2) of this Sec. 6.

**Sec. 7.  
Taxes and Duties**

All payments by the Company to be made to the Investors under this Agreement shall be made without a discount or deduction of any existent or future taxes or duties of whatever kind raised in the Federal Republic of Germany, unless the Company is obliged to withhold or deduct such taxes or duties by law.

**Sec. 8.**  
**Qualified Subordination**

1. The Parties herewith agree that claims for repayment of the Loan Amounts (including interest, costs and any other accessory claim, if any) (the “**Claims**”) shall be irrevocably subordinated to any and all other liabilities, with the exception of those ranking pari passu, of the Company vis-à-vis its current or future creditors and therefore do not have to be settled, as long as and to the extent that the Company is insolvent or over-indebted or was to be qualified as insolvent or over-indebted pursuant to §§ 17, 19 German Insolvency Code (*Insolvenzordnung*), would the Claims not be subordinated, or would an insolvency or over-indebtedness of the Company exist for any other reason. This subordination also applies to the final distribution of liquidation proceeds pursuant to § 199 German Insolvency Code in the event of an insolvency proceeding (*Insolvenzverfahren*). Repayments of the Loan Amounts shall only be made from future annual net income, net income from winding up or from other free assets (*sonstiges freies Vermögen*) of the Company. To the extent the Claims are subordinated, the Claims are ranked behind claims pursuant to § 39 para. 1 no. 5 German Insolvency Code (*Insolvenzordnung*).
2. If German jurisprudence should require further requirements for a qualified subordination agreement to be apt to avoid insolvency or over-indebtedness under German Insolvency Law, the Claims of the Holder shall be regarded as having such rank as required in particular pursuant to German jurisprudence in order to avoid the passivation as liability in an over-indebtedness balance sheet (*Überschuldungsbilanz*) of the Company.

**Sec. 9.**  
**Conversion request**

1. The Investors are entitled but not obliged to request the conversion, in whole or in part, of the Loan Amounts into series B shares of the Company at the Series B Conversion Price (as defined in Sec. 11 of this Agreement) at any time after the Maturity Date if and to the extent the Loan Amounts have not been repaid on or before the Maturity Date.
2. Upon the occurrence of an Exit Event prior to the Maturity Date, the Investors are entitled but not obliged to request the conversion, in whole or in part, of the Loan Amounts into series B shares at the Series B Conversion Price if and to the extent the Loan Amounts have not been repaid.

3. Upon the closing of a Qualified Financing, the Investors are entitled but not obliged to request the conversion, in whole or in part, of the Loan Amounts into the preferred stock of the Company, whether this is series B or any other series of preferred stock, which is issued to new investors in a Qualified Financing (the “**Qualified Financing Shares**”) at the Qualified Financing Conversion Price (as defined in Sec. 11 of this Agreement) if and to the extent the Loan Amounts have not been repaid.
4. The Investors may request the conversion of the Loan Amounts according to para. (2) and (3) of this Sec. 9 at any time during a period of four (4) weeks after the occurrence of the Exit Event or closing of the Qualified Financing, respectively.

**Sec. 10.**  
**Conversion**

1. In order to request conversion of the Loan Amounts pursuant to Sec. 9 of this Agreement, the Investors shall submit to the Company a notice of conversion, in whole or in part, of the Loan Amounts (using the form enclosed in **Exhibit C**) (the “**Conversion Notice**”).
2. In the event that the Company receives a Conversion Notice, the Company shall invite all Shareholders, with the exception of the persons listed as indirect shareholders in **Exhibit A**, to a shareholders’ meeting to be held within three months after receipt of the Conversion Notice by the Company, and all Shareholders undertake to vote their shares in such a shareholders’ meeting, to pass all resolutions required (including but not limited to resolutions on a capital increase required to issue the New Shares as defined below (the “**Capital Increase**”) and necessary amendments to the Company’s Articles of Association) to issue the respective number of new series B shares or Qualified Financing Shares, respectively (the “**New Shares**”), to be calculated according to Sec. 11 of this Agreement, to the Investors. The New Shares shall each be in registered form, and shall be issued as non-par value shares with a portion of the Company’s share capital (*anteiliger Betrag des Grundkapitals*) of EUR 1.00 each, and shall be issued at an issue price (*Ausgabebetrag*) of EUR 1.00 per share without any premium. The New Shares shall have the right to participate in profits as from January 1, 2012.
3. Each Shareholder undertakes individually for himself vis-à-vis each other party, to do or cause to be done everything necessary to implement the conversion request. Thus, the Shareholders undertake in particular to co-operate in the Capital Increase of the Company and in necessary amendments to the

Company's Articles of Association by exercising their voting rights in the shareholders' meeting of the Company, by subscribing to the New Shares as provided in this Agreement and by waiving subscriptions rights to new shares in the Company if required to implement the conversion request.

4. To the extent legally permitted, the Company and Shareholders shall secure that (i) the Company's Management Board and the Supervisory Board will execute the Capital Increase, and (ii) the Company will (a) accept the subscription of New Shares as described above, as well as (b) without undue delay apply for registration and of the consummation of the capital increase with the commercial register.
5. The Investors shall pay in full their respective part of the cash contribution (EUR 1.00 per share) within ten (10) bank working days in Frankfurt/Main, Germany, after such Investor has subscribed for New Shares to the Company's special account to be named by the Company. Payments shall be made exclusively to this special account, which will be opened solely for this purpose and must not be used for other transactions or payments prior to the aforementioned payments. This special account must not have a debit balance immediately prior to the aforementioned payments being effected, so that the Company's Management Board can freely dispose of the amounts paid (cf. Sec. 188, 36, 36a, 37 German Act on Stock Corporations; "**AktG**").
6. In the event that the Investors request the conversion, in whole or in part, of the Loan Amounts in accordance with Sec. 9 para. (1), (2) or (3) of this Agreement and subscribe for the New Shares, each Investor shall contribute (*einlegen*) without consideration his claim for repayment of the respective Loan Amount into the Company's capital reserves pursuant to § 272 para. (2) No. 4 German Commercial Code (*Handelsgesetzbuch*). The aforementioned contribution will be made subject to the implementation (*Durchführung*) of the Capital Increase, i.e. the effective issue of the respective New Shares to such Investor. For clarification purposes: the Company itself shall not be entitled to demand the contribution pursuant to this para. (6). Alternatively to the aforementioned contribution of the claim for repayment, the Investors may elect to waive their claims for repayment vis-à-vis the Company. In this case, sentences 2 and 3 of this para. (6) shall apply accordingly.

**Sec. 11.**  
**Number of new Shares**

1. The number of New Shares to be issued in the course of the conversion in accordance with Sec. 9 para. (1) and (2) of this Agreement to each Investor shall be determined by the Loan Amount, to the extent that has been paid out, divided by the “**Series B Conversion Price**”, which is to be calculated as follows:

$$\text{Series B Conversion Price} = \text{EUR 53 divided by } [1 + (0.01 * M + 0.015 * N)],$$

whereby M is the number of full months (rounded off) from the payment of the Loan Amounts to the Company until the earlier of the (i) Maturity Date, or, (ii) the closing of a Qualified Financing or an Exit Event and

whereby N is the number of full months (rounded off) from the payment of the Loan Amounts to the Company until Conversion less M.

2. The number of Qualified Financing Shares with a nominal value of EUR 1.00 each to be issued in the course of the conversion in accordance with Sec. 9 para. (3) of this Agreement to each Investor shall be determined by the Loan Amount, to the extent that has been paid out, divided by the “**Qualified Financing Conversion Price**”, which is to be calculated as follows:

$$\text{Qualified Financing Conversion Price} = \text{the price per share of preferred stock of the Company issued to investors in a Qualified Financing less a discount of twenty percent (20\%)} \text{ divided by } [1 + (0.01 * M + 0.015 * N)]$$

whereby M and N have the meaning as defined in para. (1) of this Sec. 11.

3. If the Loan Amount of an Investor exceeds the portion of the loan attributable to such an Investor pro rata its shareholding in the shares of the Company, the number of New Shares into which the exceeding amount is converted in accordance with this Sec. 11 shall be multiplied by the factor 1.2, the result being rounded down to the nearest whole number.
4. Residual amounts of the respective Loan Amounts that are indivisible after application of para (1) and (2) of this Sec. 11 are awarded to such Investor who has the highest Loan Amount and will increase his Loan Amount which is subject to conversion in accordance with para (1) and (2) of this Sec. 11, the result being rounded down to the nearest whole number.

**Sec. 12.**  
**Lapse of the Conversion Right**

1. The right of the Investors to request conversion pursuant to Sec. 9 of this Agreement lapses provided that
  - a. the Company is converted to a different or into another legal entity within the meaning of the German Act on Transformations (*Umwandlungsgesetz*), and
  - b. the Investors are compensated with (i) conversion rights to shares of the new legal entity, or (ii) shares of the new legal entity, each of equal value.
2. Shares or respectively conversion rights in the new legal entity are considered as having equal value, if their value is equivalent to the value of the conversion rights of the Company on the point in time of the effectiveness of the conversion.
3. The valuation of these conversion rights / shares will be undertaken by the auditor of the conversion or, if an audit within the conversion is not mandatory by law, by a business valuator to be instructed by the Company and the Investors.

**Sec. 13.**  
**Exercise of Investor Rights**

1. Investor rights, including but not limited to the conversion of the Convertible Bridge Loan, may only be exercised jointly by the Investors and upon demand of Investors whose aggregated Loan Amounts exceed 50% of the total Loan Amounts ("**Investor Majority**"), unless specified differently in this Agreement.
2. Each Investor shall exercise his rights in accordance with the decision of the Investor Majority and shall procure to take all measures required to not block or prevent such decision of the Investor Majority and its implementation.

**Sec. 14.**  
**Expenses**

The Company shall pay the Investors' reasonable due diligence and legal expenses (including VAT, if applicable), limited to an aggregate amount of EUR 6,500.00 for all Investors, subject to the Convertible Bridge Loan being paid out.



**Sec. 15.**  
**Final Provisions**

1. Each of the Shareholders shall be entitled to transfer its rights and obligations under this Agreement together with the shares to which such rights and obligations relate in whole or in part, provided that such Shareholder may transfer his shares under the CSA 2012.
2. Each of the Shareholders undertakes individually for himself vis-à-vis each other Shareholder, to impose on his individual legal successors, if any, the rights and obligations arising under this Agreement in such a way, that his individual legal successors are bound by the rights and obligations under this Agreement as if they had themselves undertaken these rights and obligations. This shall also apply to the obligation undertaken in this para. 2 to impose the rights and obligations under this Agreement on any individual legal successors.
3. The Shareholders are entitled to the rights under this Agreement to the exclusion of any joint entitlement, i.e. in such a way that each of the Shareholders may individually exercise the rights to which they are entitled, unless otherwise expressly provided in this Agreement. Joint and several liability (*gesamtschuldnerische Haftung*) of the Shareholders — including but not limited to the payment of the Loan Amounts to the Company — shall be excluded.
4. Amendments and additions to this Agreement must be made in writing to be effective unless notarization is required. This shall also apply to a waiver of the written form requirement. Signatures transmitted by way of facsimile communication shall satisfy the written form requirement.
5. Should individual terms of this Agreement be or become invalid or unenforceable or if this Agreement contains gaps, this shall not affect the validity of the remaining terms of this Agreement or the CSA 2012. In place of the invalid, unenforceable or missing term, such valid term which the parties would reasonably have agreed, had they been aware at the conclusion of this Agreement that the relevant term was invalid, unenforceable or missing, shall be deemed to have been agreed. Should a term of this Agreement be or become invalid because of the scope or time of performance for which it provides, then the agreed scope or time of performance shall be amended to correspond with the extent legally permitted.
6. The Parties shall keep strictly confidential the fact that they have entered into negotiations regarding the transactions contemplated in this Agreement and the contents of such negotiations and the contents of this Agreement, except if and to the extent that disclosure is required by law or stock exchange regulations and the other parties have been notified of such requirement. This Agreement, however, may be shared with the existing shareholders and potential outside investors. Furthermore, the Parties are permitted to share such information with the persons/entities/bodies mentioned in Sec. 22 para. (2) sentence 2 of the CSA 2012. In particular, Technologie Beteiligungsfonds II Bayern GmbH & Co. KG and KfW shall be allowed to disclose their participations in the Company vis-à-vis the Bavarian Supreme Auditing Agency (*Bayerischer Oberster Rechnungshof*), the Federal Supervisory Agency (*Bundesrechnungshof*) and the Federal Department of Economics (*Bundeswirtschaftsministerium*) as required by applicable law.

7. Prior to any announcement, the Company and the Investors shall agree upon the form and contents of any press release with respect to this Convertible Bridge Loan.
8. With regard to the signing of the Agreement, signatures transmitted by way of facsimile communication shall suffice and be binding. Reception of an original copy of this Agreement signed by all Parties is not a condition for the validity of this Agreement.
9. This Agreement is governed by and shall be construed in accordance with the laws of Germany, without regard to its provisions of private international law and excluding the UN Sales Convention.
10. To the extent legally permissible, place of venue and performance shall be Munich. All disputes arising in connection with this Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law and according to the Arbitration Agreement enclosed as **Exhibit 15.10**. This shall include disputes regarding the validity, the performance or the termination of this Investment Agreement in whole or in part including possible amendments of the same. The place of arbitration is Munich. The arbitration tribunal consists of three arbitrators. The language of the arbitration proceeding is English.
11. The Exhibits to this Agreement are an essential part of it. The headings in this Agreement only serve for a better orientation and are of no significance for the content and interpretation of this Agreement. Explanations in a provision or Exhibit to this Agreement are also deemed to be listed for purposes of all other provisions or Exhibits.
12. German definitions in this document shall take precedence over the respective English terms.

/s/ Claus Schalper

PIERIS AG  
signed for and on behalf of the Management Board

/s/ Authorized Signatory

Orbimed Private Investments III, LP

/s/ Authorized Signatory

Novo Nordisk A/S

/s/ Authorized Signatory

BioM AG

/s/ Authorized Signatory

The Global Life Science Ventures Fonds II GmbH & Co. KG

/s/ Authorized Signatory

Gilde Europe & Agribusiness Fund B.V.

/s/ Authorized Signatory

Coöperative AAC LS U.A.

/s/ Authorized Signatory

Technologie Beteiligungsfonds II Bayern GmbH & Co. KG (Bayern  
Kapital)

/s/ Hans Küpper

PIERIS AG  
signed for and on behalf of the supervisory Board

/s/ Authorized Signatory

Orbimed Associates III, LLC

/s/ Authorized Signatory

Transconnect Corporate Finance Beratungs GmbH

/s/ Authorized Signatory

BioM Venture Capital GmbH & Co. KG

/s/ Authorized Signatory

The Global Life Science Ventures Fund II LP

/s/ Authorized Signatory

Baytech Venture Capital GmbH & Co. KG

/s/ Authorized Signatory

KfW

/s/ Arne Skerra

Prof. Skerra Bet. GmbH

/s/ Steffen Schlehuber

Dr. Steffen Schlehuber

/s/ Claus Schalper

Claus Schalper

/s/ Karsten Schürrie

Dr. Karsten Schürrie

/s/ Martin Pöhlchen

MAPO Bet. GmbH

/s/ Arne Skerra

Prof. Dr. Arne Skerra

/s/ Martin Pöhlchen

Dr. Martin Pöhlchen

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**Table of Annexes to the Convertible Bridge Loan Agreement**

<b>Exhibit A:</b>	List of Holders of Common Shares, of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B and of Indirect Shareholders
<b>Exhibit B:</b>	Consolidated Shareholders' Agreement 2012 dated November 12, 2012
<b>Exhibit C:</b>	Conversion Notice
<b>Exhibit 15.10</b>	Arbitration Agreement

**Exhibit A:**

**List of Holders of Common Shares, of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B and of Indirect Shareholders**

<u>Name</u>	<u>Participation as</u>
Prof. Skerra Beteiligungsgesellschaft mbH, Max Lehner-Straße 19, 85354 Freising, Germany	Holder of Common Shares
Dr. Steffen Schlehuber, In den Kappesgärten 22, 67152 Ruppertsberg, Germany	Holder of Common Shares
Claus Schalper, Ismaningerstraße 62, 81675 Munich, Germany	Holder of Common Shares
Dr. Karsten Schürle, Palmstraße 7, 60316 Frankfurt a.M., Germany	Holder of Common Shares
MAPO Beteiligungsgesellschaft mbH, Hubertusweg 34, 85540 Haar, Germany	Holder of Common Shares
BioM Aktiengesellschaft Munich, BioTech Development, Am Klopferspitz 19, 82152 Planegg, Germany	Holder of Common Shares
BioM Venture Capital GmbH & Fonds KG, Am Klopferspitz 19, 82152 Planegg, Germany	Holder of Preferred Shares Series B
	Holder of Common Shares
	Holder of Preferred Shares Series A
	Holder of Preferred Shares Series A-1
	Holder of Preferred Shares Series B
Transconnect Corporate Finance Beratungs GmbH, Prinzregentenstraße 56, 80538 Munich, Germany	Holder of Common Shares
	Holder of Preferred Shares Series A
	Holder of Preferred Shares Series A-1
	Holder of Preferred Shares Series B

The Global Life Science Ventures Fonds II GmbH & Co. KG, Von-der-Tann-Straße 3, 80539 Munich, Germany

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B

The Global Life Science Ventures Fund II Limited Partnership, PO Box 431, Alexander House, 13-15 Victoria Road, St. Peter Port, Guernsey, G41 3ZD

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B

Gilde Europe Food & Agribusiness Fund B.V., Newtonlaan 91, 3584 BP Utrecht, The Netherlands

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B

BayTech Venture Capital GmbH & Co. KG, Theatinerstraße 7, 80353 Munich, Germany

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B

Coöperatieve AAC LS U.A., Gooimeer 2-35, P.O. Box 5187, 1410 AD Naarden, The Netherlands

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B

KfW, Ludwig-Erhard-Platz 1-3, 53179 Bonn

Holder of Preferred Shares Series A-1

Technologie Beteiligungsfonds Bayern II GmbH & Co. KG, Altstadt 72, 84028 Landshut,  
(BayernKapital)

Holder of Preferred Shares Series B

Holder of Preferred Shares Series A-1

Orbimed Private Investments III, LP, 601 Lexington Ave, Floor 54, New York, NY 10022, USA

Holder of Preferred Shares Series B

Orbimed Associates III, LLC, 601 Lexington Ave, Floor 54, New York, NY 10022, USA

Holder of Preferred Shares Series B

Novo Nordisk A/S, Novo Allé, 2880 Bagsvrd, Denmark

Holder of Preferred Shares Series B

Prof. Dr. Arne Skerra, Max-Lehner-Straße 19, 85354 Freising, Germany

Holder of Preferred Shares Series B

Dr. Martin Pohlchen, Hubertusweg 34, 85540 Haar, Germany

Indirect Shareholder

Indirect Shareholder





**Conversion Notice**

To:

PIERIS AG  
Management Board  
Lise-Meitner-Str. 30  
85354 Freising  
Germany

We, the Investors as listed in Sec. 1 para. (2) of the Convertible Bridge Loan Agreement dated November 12, 2012 (the “**Convertible Bridge Loan Agreement**”), have granted PIERIS AG, a company registered in the commercial register of the local court of Munich under No. HRB 133223 (the “**Company**”), a convertible bridge loan in the total amount of EUR 2,000,000 (the “**Convertible Bridge Loan**”), in accordance with the Convertible Bridge Loan Agreement.

In relation to the Convertible Bridge Loan, the amount of

EUR

has not been repaid by the Company to the Investors (the “**Remaining Loan Amount**”) as of the date of this Conversion Notice.

Based on the foregoing, we hereby request conversion

- of the whole Remaining Loan Amount
- of EUR        of the Remaining Loan Amount

pursuant to

- Sec. 9 para. (1) of the Convertible Bridge Loan Agreement (**after the Maturity Date**) into series B shares of the Company.
- Sec. 9 para. (2) of the Convertible Bridge Loan Agreement (**occurrence of an Exit Event prior to the Maturity Date**) into series B shares of the Company.
- Sec. 9 para. (3) of the Convertible Bridge Loan Agreement (**closing of a Qualified Financing**) into Qualified Financing Shares.

Conversion shall be effected in accordance with the provisions of the Convertible Bridge Loan Agreement at the price and on the terms set out in the Convertible Bridge Loan Agreement.

All terms used herein shall have the meaning as given to them in the Convertible Bridge Loan Agreement.

With regard to the signing of this Conversion Notice, signatures transmitted by way of facsimile communication shall suffice and be binding.

Freising, ,

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Orbimed Private Investments III, LP

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Orbimed Associates III, LLC

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Novo Nordisk A/S

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Transconnect Corporate Finance Beratungs GmbH

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BioM AG

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BioM Venture Capital GmbH & Co. KG

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The Global Life Science Ventures Fonds II GmbH & Co. KG

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The Global Life Science Ventures Fund II LP

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Gilde Europe & Agribusiness Fund B.V.

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Baytech Venture Capital GmbH & Co. KG

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Coöperative AAC LS U.A.

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KfW



**Arbitration Agreement**

- 1 With regard to all disputes arising out of the Convertible Bridge Loan Agreement and Consolidated Shareholders' Agreement of Pieris AG, Lise-Meitner-Strasse 30, 85354 Freising, the Parties agree on the following arbitration clause:
- 2 Place of venue and performance shall, to the extent legally permissible, be Munich. All disputes arising in connection with the Convertible Bridge Loan and the Consolidated Shareholders' Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law. This shall include disputes regarding the validity, the performance or the termination of the Convertible Bridge Loan and the Consolidated Shareholders' Agreement in whole or in part including possible amendments of the same. The place of arbitration is Munich. The arbitral tribunal consists of three arbitrators. The language of the arbitral proceedings is English.

Freising, November 12, 2012

/s/ Claus Schalper  
PIERIS AG  
signed for and on behalf of the Management Board

/s/ Authorized Signatory  
Orbimed Private Investments III, LP

/s/ Authorized Signatory  
Novo Nordisk A/S

/s/ Authorized Signatory  
BioM AG

/s/ Authorized Signatory  
The Global Life Science Ventures Fonds II GmbH & Co. KG

/s/ Authorized Signatory  
Gilde Europe & Agribusiness Fund B.V.

/s/ Authorized Signatory  
Coöperative AAC LS U.A.

/s/ Authorized Signatory  
Technologie Beteiligungsfonds II Byern GmbH & Co. KG (Byern Kapital)

/s/ Hans Küpper  
PIERIS AG  
signed for and on behalf of the supervisory Board

/s/ Authorized Signatory  
Orbimed Associates III, LLC

/s/ Authorized Signatory  
Transconnect Corporate Finance Beratungs GmbH

/s/ Authorized Signatory  
BioM Venture Capital GmbH & Co. KG

/s/ Authorized Signatory  
The Global Life Science Ventures Fund II LP

/s/ Authorized Signatory  
Baytech Venture Capital GmbH & Co. KG

/s/ Authorized Signatory  
KfW

/s/ Arne Skerra  
Prof. Skerra Bet. GmbH

/s/ Steffen Schlehuber

Dr. Steffen Schlehuber

/s/ Claus Schalper

Claus Schalper

/s/ Karsten Schürrie

Dr. Karsten Schürrie

/s/ Martin Pöhlchen

MAPO Bet. GmbH

/s/ Arne Skerra

Prof. Dr. Arne Skerra

/s/ Martin Pöhlchen

Dr. Martin Pöhlchen

**Amendment to the  
Convertible Bridge Loan Agreement**

**dated November 12, 2012**

**between**

1. **Pieris AG**, Lise-Meitner-Str. 30, 85354 Freising, Germany (the “**Company**”), represented by its management board, consisting of Stephen S. Yoder, and its supervisory board, being represented by its chairman, Dr. Hans A. Küpper,
2. **Orbimed Private Investments III, LP**,
3. **Orbimed Associates III, LLC**,
4. **Novo Nordisk A/S**,
5. **Transconnect Corporate Finance Beratungs GmbH**,
6. **BioM AG**,
7. **BioM Venture Capital GmbH & Co. KG**,
8. **The Global Life Science Ventures Fonds II GmbH & Co. KG**,
9. **The Global Life Science Ventures Fund II LP**,
10. **Gilde Europe Food & Agribusiness Fund B.V**,
11. **Baytech Venture Capital GmbH & Co. KG**,
12. **Coöperatieve AAC LS U.A.**,
13. **KfW**,
14. **Technologie Beteiligungsfonds II Bayern GmbH & Co. KG (BayernKapital)**,
15. **Prof. Skerra Bet. GmbH**,
16. **Dr. Steffen Schlehuber**,
17. **Claus Schalper**,
18. **Dr. Karsten Schürle**,
19. **MAPO Bet. GmbH**,
20. **Prof. Dr. Arne Skerra and**
21. **Dr. Martin Pöhlchen**

The persons or entities set out in (2) – (21) shall be jointly referred to as the “**Shareholders**” and the Shareholders together with the Company shall be jointly referred to as the “**Parties**”.

## Preamble

1. On November 12, 2012 the Parties entered into a convertible bridge loan agreement (the “**Convertible Bridge Loan Agreement**”) pursuant to which certain Shareholders, which are listed as Investors in the table in Sec. 1 (*Convertible Bridge Loan*) para. 2 of the Convertible Bridge Loan Agreement with a loan amount in EUR other than 0 (zero) (the “**Holders**”), made available to the Company a bridge loan in the amount of EUR 2,000,000, which loan is convertible into shares of the Company (the “**Convertible Bridge Loan**”).
2. The Parties have decided (i) that the Company shall repay a EUR amount equal to USD 400,000 of the Convertible Bridge Loan to the Holders (the “**Repayment Amount**”) and (ii) to postpone the maturity date of the remaining loan amount of the Convertible Bridge Loan, which date was December 31, 2013 to December 31, 2015 (the “**New Maturity Date**”).
3. It is intended by the Parties that all of the Company’s shares, irrespective of their liquidation preference, will be contributed (*eingbracht*) by the Shareholders into a U.S. shell company (the “**Shell Company**”), which is to be listed on a stock exchange (e.g. first on OTC Bulletin and, subsequently, on NASDAQ), or into a subsidiary of such Shell Company, against issuance of shares of common stock in the Shell Company to the Shareholders (the “**Reverse Merger**”). The Company has identified Zosano, Inc., a Delaware corporation, as the Shell Company. The Holders desire to instruct the Company to pay the Repayment Amount to the Shell Company and/or its shareholders in order to ensure that all necessary corporate actions are taken by the Shell Company and/or its shareholders in connection with the intended Reverse Merger. In addition, the Parties intend to make other arrangements relating to the Convertible Bridge Loan Agreement in connection with the Reverse Merger.

NOW, THEREFORE the Parties hereby enter into the following Amendment to the Convertible Bridge Loan Agreement (this “**Amendment Agreement**”) and agree as follows:



## Sec. 1

### Repayment Amount

1. In deviation from the provisions of the Convertible Bridge Loan Agreement governing repayment of the Convertible Bridge Loan, the Company shall repay the Repayment Amount to the Holders at the time as necessary to observe the instructions of the Holders set out in Sec. 2 (*Instructions of the Holders; Compensation Payments*) para. 1 and in accordance with the following table:

<u>Investor</u>	<u>Repayment Amount in USD</u>
Orbimed Private Investments III, LP	98,423.00
Orbimed Associates III, LLC	937.00
Novo Nordisk A/S	39,921.00
Transconnect Corporate Finance Beratungs GmbH	10,057.00
BioM AG	32,950.00
The Global Life Science Ventures Fonds II GmbH & Co. KG	50,435.00
The Global Life Science Ventures Fund II LP	39,229.00
Gilde Europe Food & Agribusiness Fund B.V.	84,203.00
Coöperatieve AAC LS U.A.	43,845.00
<b>Total</b>	<b>400,000.00</b>

2. The part of the Repayment Amount in USD displayed in the table above for each Holder (the “**Repayment Portion**”) shall be paid to the respective Holder in the corresponding EUR amount.
3. The outstanding principal amount of the Convertible Bridge Loan will be reduced accordingly (i.e. by the Repayment Amount).
4. If less than the entire Repayment Amount is required to fulfil the instructions of the Holders under Sec. 2 (*Instructions of the Holders; Compensation Payments*) para. 1, the Repayment Amount shall be reduced accordingly and the Repayment Portions shall be adjusted proportionately. The Repayment Amount may be paid in partial payments if it is required to observe the instructions of the Holders under Sec. 2 (*Instructions of the Holders; Compensation Payments*) para. 1.
5. The interest on the Repayment Amount shall be due and payable upon repayment of the principal amount of the Convertible Bridge Loan remaining after payment of the Repayment Amount.

## Sec. 2

### Instructions of the Holders; Compensation Payments

1. The Holders hereby irrevocably instruct the Company to pay the Repayment Amount on their behalf to the identified Shell Company and/or its shareholders, in order to ensure all necessary corporate actions and other measures in connection with the intended Reverse Merger are taken

by the Shell Company and/or its shareholders under the terms of a term sheet agreed between the Company and the Shell Company and in accordance with the agreements related to the Reverse Merger when such agreements are concluded. The Holders and the Company are in agreement that (i) the deposit in the amount of USD 50,000 made by the Company under the Term Sheet of March 2013 agreed between the Company and Zosano, Inc. shall be deemed to have been paid for the purpose set out above; and (ii) once the remaining Repayment Amount is paid to the Shell Company and/or its shareholders, the Repayment Amount shall be deemed to have been paid in whole by the Holders.

2. Those of the Shareholders who did not participate in the Convertible Bridge Loan or participated with a loan amount which was less than their pro rata share, based on their current shareholding in the Company, of the Convertible Bridge Loan (the “**Compensating Shareholders**”) shall make compensation payments (the “**Compensation Payments**”) to those of the Holders whose Repayment Portion exceeds their respective pro rata share, based on their current shareholding in the Company, of the Repayment Amount. The Compensation Payments shall put all Shareholders in a position as if the Repayment Amount (paid to the Shell Company on behalf of the Holders for the purpose set out in para.1 of this Sec. 2) had been divided among all Shareholders pro rata to each Shareholder’s current shareholding in the Company.
3. The Company will calculate the Compensation Payments once the entire Repayment Amount has been paid or when it has determined that any remaining part of the Repayment Amount is not required and will inform the Compensating Shareholders and Holders accordingly. Compensation Payments shall then be made by Compensating Shareholders within one (1) week to the Company and the Company will forward the Compensation Payments on behalf of the Compensating Shareholders to the respective Holders.

### Sec. 3

#### Postponement of Maturity Date

Sec. 3 (Term) of the Convertible Bridge Loan Agreement is amended to read as follows:

*“The Convertible Bridge Loan is granted until December 31, 2015.”*

### Sec. 4

#### Lapse of Conversion Rights; Repayment Right

In the event that the contribution (*Einbringung*) of the Company’s shares into the Shell Company or into a subsidiary of such Shell Company, as the case may be, against issuance of shares in the Shell Company to the Shareholders in the course of the intended Reverse Merger becomes effective,

- (i) the conversion rights of the Investors (as defined in the Convertible Bridge Loan Agreement) under Sec. 9 et seqq. of the Convertible Bridge Loan Agreement shall lapse; and
- (ii) the Company shall, in deviation from the provisions of the Convertible Bridge Loan Agreement governing repayment of the Convertible Bridge Loan, be entitled to repay the remaining outstanding amount of the Convertible Bridge Loan (after the payment of the Repayment Amount) and the interest thereon, as well as the interest on the Repayment Amount, before the New Maturity Date, in accordance with a payment schedule to be notified by the Company to the Holders.

Sec. 5

**Miscellaneous**

1. All provisions of the Convertible Bridge Loan Agreement not expressly amended by this Amendment Agreement shall remain unaffected.
2. For the avoidance of doubt: All rights and obligations of the Parties under the Convertible Bridge Loan Agreement which are dependent on or refer to “the Maturity Date” shall, upon execution of this Amendment Agreement, depend on or refer to the New Maturity Date.
3. Amendments and additions to this Amendment Agreement must be made in writing to be effective unless notarization is required. This shall also apply to a waiver of the written form requirement. Signatures transmitted by way of facsimile communication shall satisfy the written form requirement.
4. Should individual terms of this Amendment Agreement be or become invalid or unenforceable or if this Agreement contains gaps, this shall not affect the validity of the remaining terms of this Amendment Agreement or the Convertible Bridge Loan Agreement. In place of the invalid, unenforceable or missing term, such valid term which the parties would reasonably have agreed, had they been aware at the conclusion of this Amendment Agreement that the relevant term was invalid, unenforceable or missing, shall be deemed to have been agreed. Should a term of this Amendment Agreement be or become invalid because of the scope or time of performance for which it provides, then the agreed scope or time of performance shall be amended to correspond with the extent legally permitted.
5. With regard to the signing of this Amendment Agreement, signatures transmitted by way of facsimile communication shall suffice and be binding. Reception of an original copy of this Amendment Agreement signed by all Parties is not a condition for the validity of this Amendment Agreement.
6. This Amendment Agreement is governed by and shall be construed in accordance with the laws of Germany, without regard to its provisions of private international law and excluding the UN Sales Convention.
7. To the extent legally permissible, place of venue and performance shall be Munich. All disputes arising in connection with this Amendment Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law and according to the Arbitration Agreement enclosed as **Exhibit 1**. This shall include disputes regarding the validity, the performance or the termination of this Amendment Agreement in whole or in part including possible amendments of the same. The place of arbitration is Munich. The arbitration tribunal consists of three arbitrators. The language of the arbitration proceeding is English.

/s/ Stephen Yoder

PIERIS AG  
Signed for and on behalf of the Management Board

/s/ Authorized Signatory

Orbimed Private Investments III, LP

/s/ Authorized Signatory

Novo Nordisk A/S

/s/ Authorized Signatory

BioM AG

/s/ Authorized Signatory

The Global Life Science Ventures Fonds II GmbH & Co. KG

/s/ Authorized Signatory

Gilde Europe Food & Agribusiness Fund B.V.

/s/ Authorized Signatory

Coöperatieve AAC LS U.A.

/s/ Authorized Signatory

Technologie Beteiligungsfonds II Bayern GmbH & Co. KG  
(BayernKapital)

/s/ Steffen Schlehuber

Dr. Steffen Schlehuber

/s/ Hans Küpper

PIERIS AG  
Signed for and on behalf of the Supervisory Board

/s/ Authorized Signatory

Orbimed Associates III, LLC

/s/ Authorized Signatory

Transconnect Corporate Finance Beratungs GmbH

/s/ Authorized Signatory

BioM Venture Capital GmbH & Co. KG

/s/ Authorized Signatory

The Global Life Science Ventures Fund II LP

/s/ Authorized Signatory

Baytech Venture Capital GmbH & Co. KG

/s/ Authorized Signatory

KfW

/s/ Arne Skerra

Prof. Skerra Bet. GmbH

/s/ Claus Schalper

Claus Schalper

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/s/ Karsten Schürle

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Dr. Karsten Schürle

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/s/ Martin Pöhlchen

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MAPO Bet. GmbH

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/s/ Arne Skerra

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Prof. Dr. Arne Skerra

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/s/ Martin Pöhlchen

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Dr. Martin Pöhlchen

**Arbitration Agreement**

1. With regard to all disputes arising out of this Amendment to the Convertible Bridge Loan Agreement dated November 12, 2012 of Pieris AG, Lise-Meitner-Strasse 30, 85354 Freising (this “**Amendment Agreement**”), the Parties agree on the following arbitration clause:
2. Place of venue and performance shall, to the extent legally permissible, be Munich. All disputes arising in connection with the Convertible Bridge Loan and the Consolidated Shareholders’ Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law. This shall apply in particular to disputes regarding the validity, the execution or the termination of this Amendment Agreement, its individual provisions or possible amendments to it. The place of arbitration is Munich. The arbitral tribunal consists of three arbitrators. The language of the arbitral proceedings is English.

Freising, March 2014

/s/ Stephen Yoder  
PIERIS AG  
Signed for and on behalf of the Management Board

/s/ Hans Küpper  
PIERIS AG  
Signed for and on behalf of the Supervisory Board

/s/ Authorized Signatory  
Orbimed Private Investments III, LP

/s/ Authorized Signatory  
Orbimed Associates III, LLC

/s/ Authorized Signatory  
Novo Nordisk A/S

/s/ Authorized Signatory  
Transconnect Corporate Finance Beratungs GmbH

/s/ Authorized Signatory  
BioM AG

/s/ Authorized Signatory  
BioM Venture Capital GmbH & Co. KG

/s/ Authorized Signatory  
The Global Life Science Ventures Fonds II GmbH & Co. KG

/s/ Authorized Signatory  
The Global Life Science Ventures Fund II LP

/s/ Authorized Signatory  
Gilde Europe Food & Agribusiness Fund B.V.

/s/ Authorized Signatory  
Baytech Venture Capital GmbH & Co. KG

/s/ Authorized Signatory  
Coöperatieve AAC LS U.A.

/s/ Authorized Signatory  
KfW

/s/ Authorized Signatory  
Technologie Beteiligungsfonds II Bayern GmbH & Co. KG  
(BayernKapital)

/s/ Arne Skerra  
Prof. Skerra Bet. GmbH

/s/ Steffen Schlehüser  
Dr. Steffen Schlehüser

/s/ Claus Schalper  
Claus Schalper

/s/ Karsten Schürle  
Dr. Karsten Schürle

/s/ Martin Pöhlchen  
MAPO Bet. GmbH

/s/ Arne Skerra  
Prof. Dr. Arne Skerra

/s/ Martin Pöhlchen  
Dr. Martin Pöhlchen

**PARTICIPATION AGREEMENT**

Contract on the establishment of a silent partnership

between

and

**Pieris Proteolab AG**  
**Lise Meitner-Str. 30**  
**85353 Freising-Weihenstephan**

**tbg Technologie-Beteiligungs-**  
**Gesellschaft mbH der**  
**Deutschen Ausgleichsbank**  
**Ludwig-Erhard-Platz 1**

53179 Bonn

- referred to in the following as: technology company (TC) -      - silent partner, in the following: tbg -  
in the amount of

**\*\*\* 750,000.00 EUR \*\*\***

**(hereinafter participation amount) in words: seven hundred and fifty thousand EUR**

for the funding of the project described in section 1, para. 2.

**PREAMBLE**

Within the framework of the programme conducted with the Federal Ministry of Economics and Technology (BMWi) and the Deutschen Ausgleichsbank "Venture Capital for Small Technology Companies" and on the basis of the participation principles of this programme, attached in the appendix, which are part of this contract, the parties conclude the following agreement:

**Section 1****PURPOSE OF COMPANY**

- (1) The TC registered in the commercial register of the Local Court of Munich under number B 1 33223 conducts commercial business in compliance with the articles of association as amended on 26.01.2001 with the following purpose:

Biotechnological research, development and the sale of applications arising from this research particularly in the field of anticalins, a class of bio molecules obtained by protein design with possible applications in medicine and bio analytics, food technology and bioscience research, as well as participation in other companies with the same or similar corporate purposes at home and abroad. Establishment of such companies and the acquisition of all or individual assets,



regardless of whether tangible or intangible, or part of holdings of such companies. The company will not conduct any business that requires approval by the state.

- (2) In the context of this corporate purpose the TC shall be concerned with

The first preclinical validation of anticalins for therapeutic applications

## Section 2

### CAPITAL CONTRIBUTION

- (1) Exclusively for the promotion of the innovation project described in section 1, paragraph 2, and on the basis of information provided by the TC in the participation application dated 27.09.2002, tbg shall make a capital contribution in the amount of EUR 750,000.00 if the TC presents the following participation agreements:

- Participation agreement in the amount of 2,999,947.96 EUR with

**Global Life Science Ventures GmbH  
Von-der-Tann-Str. 3, 80539 Munich**

(in the following, also in the case of multiple equity providers: **EP**) \

and the EP has concluded a cooperation agreement with tbg.

- Direct debit authorization to collect the fixed remuneration due in favour of **tbg**.
- Participation agreements with further investors totalling 8,999,577.16 EUR.
- Approved funding from BioChance and BioRegio amounting to 1,117,000.00 EUR.

- (2) The capital contribution from **tbg** shall be used to co-finance the project-related planning listed in **appendix I**, which forms part of this participation agreement. The financing of investments specified in the project-related planning for market launch in stock and supplies, launch advertising, personnel costs for the market launch and establishment and expansion of a distribution company shall be a de minimis aid of 0,00 EUR with the conclusion of this contract. The subsidy value of all de minimis aid which the TC receives within a period of three years from the date of the first de minimis aid, shall not exceed 100,000.00 EUR. This shall not preclude the possibility for the TC, independent of de minimis aid, to receive funds from notified European Commission aid programs. The company shall be obligated to keep this agreement for 10 years and submit it on request, within one week, to the European Commission or the Federal Government (state administration, grant authority). Otherwise, the conditions for approval shall be eliminated retroactively, with the consequence of an immediate undertaking to repay the aid plus interest.

- (3) The TC can draw the capital contribution after the beginning of the company (c.f. section 4 para 1) in so far as

- a) its immediate intended proper use, a proportionate employment of funds with the other funding listed in appendix I and the overall financing of the innovation project are guaranteed. A partial draw shall be permitted only if neither fundamental economic or technical doubts regarding the feasibility of the innovation project funded by **tbg** exist and the TC is not in such economic difficulties that even after drawing the capital contribution of **tbg** the filing of an application for the opening insolvency proceedings over the assets of the TC is to be expected within a short period of time.
- A draw shall be accompanied by a confirmation of the draw conditions of the EP;
- b) the TC has access to the tbg Internet portal via a secure Internet connection (section 6 para. 6) and is registered there as a user.
- c) The following milestone-dependent tranche payments are adhered to:
- I. tranche in the amount of 250,000.00 EUR from contract signing and closing the round of participation
- II. tranche in the amount of 250,000.00 EUR from 01.10. 2003; milestone:  
Identification of an anticalin against a biological target with sub micromolar affinity
- III. tranche in the amount of 250,000.00 EUR from 01.12.2003; milestone:  
Evidence of in vitro efficacy of an anticalin
- (4) The TC shall prove, by the submission of a certified excerpt from the commercial register, that this agreement has been entered in the commercial register pursuant to section 294 AktG (German Stock Corporation Act) and shall confirm that the resolution of the General Meeting regarding the approval of this contract was not challenged within the one-month term of contestation. If a disbursement takes place before entry into the trade register, the contract shall come into force with registration in the commercial register retroactively at the time of the disbursement.
- (5) This agreement shall be terminated, if at least 10% of the capital contribution is not drawn no later than six weeks after the start of the company (section 4 para 1) despite the existence of the prerequisite conditions of section 2 para 3 a).
- (6) With the first partial dispensation **tbg** shall retain a processing fee of 2.00% of the agreed participation amount.
- (7) The capital contribution from **tbg** shall be credited to a separate deposit account by the TC. Withdrawals from this account by **tbg** are excluded.

### Section 3

#### EVIDENCE OF USE

- (1) The TC shall confirm the proper use of the funds within 3 months of the end of the project period as given in appendix I to this contract, in the form specified by **tbg**, subject to an extension of that period by the **tbg**. The evidence of use shall also be confirmed by the EP. The intended use shall be proven to the EP and tbg upon request.
- (2) If the cost of the project, as given in appendix I, is reduced or further public funds are subsequently raised, tbg shall be entitled to make a corresponding reduction of their capital contribution in relation to the reduction of the volume of investment. The amount of the reduction shall be promptly transferred back to tbg.

- (3) The project period shall be deemed expired
  - a) if an application for opening insolvency proceedings over the assets of the TC is filed;
  - b) if the participation agreement is terminated by the TC or by tbg;
  - c) when the funds are repaid to tbg.

In the cases mentioned under a) to c) the evidence of use shall be submitted within a period of four weeks after the occurrence of the respective event.

#### **Section 4**

##### **BEGINNING AND DURATION OF THE COMPANY**

- (1) The silent partnership shall begin as soon as this agreement is signed by both parties.
- (2) The silent partnership shall expire on 31.12.2013.
- (3) Upon termination of the business relationship, the capital contribution from **tbg** and outstanding profit shares and final remuneration (section 9) shall be due for payment to **tbg**.
- (4) As far as the funds granted by the EP are repaid before 31.12.2013 the company shall expire, that is, the capital contribution from tbg shall be due at the same time and shall be repaid in the same percentage amount. The same shall apply if and as far as the EP receives payment from a third party for his participation in the TC and for this reason divests his participation wholly or in part.

#### **Section 5**

##### **TBG'S RIGHT OF PARTICIPATION**

- (1) **tbg** shall not be represented on the board of management of the TC and shall not be involved in the management, unless otherwise provided below.
- (2) The TC shall require the consent of **tbg**
  - a) for any amendment of the articles of association, in particular a modification of the object of the company, the admission of new partners or the agreement of new investments;
  - b) for the appointment and dismissal of members of the board of management of the TC or significant changes to the employment contracts of members of the board of management;
  - c) for the conclusion, amendment and termination of contracts relating to the granting of licenses, trademarks or know-how (except in the business of everyday software), patents, utility models or design patterns, insofar as they relate to the innovation projects funded with the participation of **tbg**;

- d) the acquisition of rights referred to in c) shall only require the approval of tbg if they involve the innovation project funded by tbg and the resulting obligation for the TC exceeds an amount of 5,000 EUR per month or a one-off amount of 50,000 EUR;
  - e) for a partial or entire relocation,—leasing, divestiture or closure of the operation;
  - f) for the conclusion and termination of controlling and profit and loss transfer agreements;
  - g) for abandonment or substantial changes to the innovation project described in section 1, paragraph 2;
  - h) for the assumption of obligations for investments which are not included in the project financing by **tbg** and which exceed the amount of EUR 50,000 or for leasing, rental or tenancy contracts which exceed the amount of EUR 5,000 monthly.
- (3) Approvals pursuant to section 5 para. 2 shall be obtained from **tbg**. If **tbg** has not declared its refusal to grant consent in writing within a period of 14 days after receipt of the notification of the measures requiring approval according to section 5 para 2, consent shall be deemed granted.

## Section 6

### INFORMATION AND MONITORING RIGHTS

- (1) The TC shall report semi-annually, in the manner specified by **tbg**, respectively by 31.03. and 30.09. of each year, on the economic situation of the TC and on the status of the innovation project in described section 1 para. 2, as long as **tbg** does not waive such reports because the EP monitors the TC simultaneously on behalf of **tbg**. In addition, **tbg** shall receive monthly from the TC a brief status report in the manner specified by **tbg**, and at the end of the fiscal year an accordingly updated business plan for the following year.
- (2) Regardless of whether the EP simultaneously monitors the TC on behalf of **tbg**, the TC shall promptly inform **tbg** of all measures which extend beyond the framework of normal business activities. It shall inform **tbg** in the event of a planned IPO in particular on any application made by the TC for permission to trade on a national, international and transnational stock exchange.
- (3) In addition, **tbg** is entitled to exercise the monitoring rights pursuant to section 716 BGB (German Civil Code). This shall apply even after termination of the company to the extent necessary to verify the settlement credit.  
  
Furthermore, **tbg** shall also be entitled at any time to examine all documentation of the TC which relates to the innovation project described in section 1 para. 2. tbg may employ third parties in the exercise of its monitoring rights.
- (4) The TC shall grant the BMWi and its designated representative the rights of presentation, information and audit to the same extent as to **tbg**. The TC agrees that **tbg** may forward data relating to the company and to the funded innovation project of the program referred to in the preamble to this agreement to the BMWi or an institution appointed by it for scientific analysis. Furthermore, it also agrees to promptly provide the information necessary for scientific evaluation of the programme to the BMWi and an institute commissioned by it, if necessary even after the expiry of the silent partnership. The BMWi is entitled to forward the data that becomes known to it to the European Commission in order to exercise supervisory and monitoring authority. When preparing and if necessary when publishing data from the program, it shall be ensured that the TC suffers no detriment.

- (5) The Federal Audit Office is entitled to a right of inspection with regard to the TC pursuant to section 91 BHO (Federal Budget Code). The TC shall provide the Federal Audit Office and **tbg** with all documentation that the General Audit Office deems necessary for inspection and shall provide appropriate information.
- (6) The TC shall undertake to deliver reports falling under the contractual information and reporting obligations, to send documents and information, as well as all other correspondence electronically via a secure Internet connection to an Internet portal of **tbg**, provided that **tbg** requires this. The **tbg** shall ensure that the necessary technical requirements are met and the necessary technical equipment is provided to the TC.

## Section 7

### FISCAL YEAR, ANNUAL FINANCIAL STATEMENTS

- (1) The silent partnership's financial year shall correspond to that of the TC ("participation year"). The fiscal year of the TC ends on 31.12.
- (2) The TC shall prepare its annual financial statements (balance sheet, profit and loss account, appendices) in compliance with sections 238-289 HGB (German Commercial Code) within six months of the end of the fiscal year and deliver these to **tbg** as signed originals together with the **audit certificate from a auditor or certified accountant in accordance with section 322 HGB (German Commercial Code)**. The audit of the financial statements shall be carried out according to the legal provisions for large corporations.

## Section 8

### PROFIT AND LOSS PARTICIPATION

- (1) **tbg** shall receive a minimum remuneration in the amount of 8,00% p.a. on its capital contribution independent of the annual result of the TC. This shall be due semi-annually, on 31.3. and 30.09. each year, paid in arrears.
- (2) In addition, from the time of the draw of the capital contribution, **tbg** shall receive 12.00% of the annual surpluses generated.

For any period of time in which the **tbg** holds more than one investment in the TC, it shall receive, in addition to the respective minimum remuneration, only a total of 12.00% of the generated annual surpluses however.

If the TC, within the framework of further financing rounds, receives additional capital, then profit sharing can be adjusted to reflect the then-current capital ratios.

This profit share shall be payable within 2 weeks of approval of the annual financial statements (section 7 para. 2).

- (3) Annual net profit, which is adjusted by the following items, is decisive for the calculation referred to in paragraph 2:
  - a) The following items shall be added to the annual net profit
    - Taxes on income and earnings, as well as any bonuses for the board members, as far as they have reduced reported annual net profit;

- extraordinary expenses, insofar as they stem from business transactions which occurred prior to the beginning of the silent partnership;
  - Losses from the sale or destruction of fixed assets, insofar as the latter at the time of the commencement of the company already existed;
  - profit-sharing schemes (e.g. for silent partners), as far as they have reduced reported annual net profit.
- b) The following items shall be deducted from the annual net profit
- Amounts from the reversal of tax-free reserves which were formed before the beginning of the silent participation;
  - extraordinary income, provided they are based on business transactions that occurred prior to the beginning of the silent partnership;
  - Subsidies, allowances and Government grants, as far as these affected profit or loss;
  - Income from the disposal of fixed assets, insofar as the latter at the time of the commencement of the company were already present.
- c) In the year in which the capital contribution is drawn, the annual net profit for the calculation of profit sharing under para. 2 shall be considered to be distributed evenly throughout the year.
- (4) **tbg** shall not participate in losses incurred by the **TC**.

## **Section 9**

### **PREMIUM**

- (1) In the event of termination of the silent partnership up to the end of the fifth full year of participation, **tbg** is entitled to demand a one-off payment amounting to 30% of the amount of the participation valued at the time of the repayment (final remuneration) at the end of the participation period. Annual profit sharing pursuant to section 8 para 2 shall not be credited to the final remuneration to be paid, unless the silent partnership ends due to the dissolution of the TC in accordance with section 11. If in the latter case the sum of the profit sharing exceeds the final remuneration, no refund shall be made.
- (2) In the event of termination of the silent partnership after the end of the fifth full year of participation, **tbg** shall be entitled to demand, to the end of the investment period, a one-time payment amounting to **30** % of the amount of the participation valued at the time of the repayment plus 6 % of the amount of the participation valued at the time of the repayment for each year after the end of the fifth full year of participation (final remuneration). Annual profit sharing pursuant to section 8 para. 2 shall be credited to the final remuneration to be paid. If the sum of the profit sharing exceeds the final remuneration, no refund shall be made.
- (3) **tbg** will only make use of the right to demand final remuneration, if in its view this appears justified, due to the overall economic situation of the TC, due to its profits in the last three years prior to the termination of participation or the hidden reserves formed during the participation period.

- (4) The beginning of the first year of participation within the meaning of the above provisions shall be deemed to be the time at which this contract is signed by both parties.

## **Section 10**

### **TAXES**

The TC shall provide for the transfer of the statutory capital gains tax plus solidarity surcharge on remuneration for the silent partnership contribution and shall withhold the capital gains tax and the solidarity surcharge from payments to **tbg** and remit these immediately directly to the competent tax office when due. After transfer, the TC shall issue certificates to **tbg** within the meaning of section 45a para. 2 EStG (Income Tax Act) on the forms provided by the **tbg**, within 2 months after due date.

## **Section 11**

### **DISSOLUTION OF THE SILENT PARTNERSHIP**

In the event of the dissolution of the TC, the silent partnership shall be dissolved. In this case, the silent participation shall be repaid.

## **Section 12**

### **TERMINATION**

- (1) The TC is entitled wholly or partly to replace the participation of **tbg** in compliance with a notice period of three months to 30.6. or 31.12. of each year.
- (2) Furthermore, the silent partnership may be terminated by written declaration without notice by any of its shareholders if there is a good cause. As far as the capital contribution has not yet or not fully been paid, **tbg** shall be free of its contribution obligation with the notice of termination.

**tbg** is entitled to terminate the contract for important cause in particular if

- a) the TC made false statements in the participation application;
- b) it transpires that the conditions for granting or retaining the participation did not exist or the conditions for the retention of the participation cease to exist, in particular the innovation project described in section 1 subsection 2 has proven to be unfeasible or has been abandoned by the TC or has been significantly amended.
- c) the TC has not submitted the evidence of use in accordance with section 3 within three months of the due date despite an overdue notice;

- d) bills of exchange accepted from the TC are protested, the TC suspends payments, insolvency proceedings over the assets of the TU are opened or inability to pay is determined in any other way;
  - e) the possessor or possessors of know-how in management at the conclusion of the contract regarding the silent partnership, are no longer employed full time in management at the TC;
  - f) one of the measures listed in section 5 para 2 is taken without the prior consent of the tbg;
  - g) the TC is dissolved and liquidation proceedings are carried out;
  - h) the shareholders of the TC sell the shares respectively held by them in the course of a company sale.
- (3) Furthermore, **tbg** is entitled to a right of extraordinary termination if
- a) the TC goes public. tbg's right of termination arises at the time shares of the TC are first listed on a national, international or transnational stock exchange.
  - b) all shares in the TC are sold to an investor (trade sale). tbg's right of termination arises at the time of conclusion of the purchase agreement for the shares.

### **Section 13**

#### **GENERAL PROVISIONS**

1. Changes and additions to this contract must be made in writing. There are no oral collateral agreements to this contract.
2. Should any provision of this contract be invalid, the remaining provisions shall remain unaffected. The TC and tbg are obliged to replace ineffective contractual provisions with those that are legally binding and which correspond as far as possible to the sense and purpose of the invalid provisions.
3. Bonn is agreed as place of jurisdiction for all legal disputes arising from this agreement or its implementation.

Bonn,

tbg Technologie-Beteiligungs-  
Gesellschaft mbH der Deutschen  
Ausgleichsbank

Project-Related Planning (Appendix I)  
Participation Principles of tbg

Freising-Weihenstephan, 8.5.2003

Proteolab AG

/s/ M. Pohlelr



Plan Period: 01.10.2002 until 31.03.2004

<u>Project-Specific Expenses</u>	<u>Amount Excl. VAT</u>
<b>I. For pre-competitive development</b>	
1. <i>Tangible fixed assets accounted investments</i>	
1.1 Laboratory equipment and instruments	1,456,000.00 EUR
1.2 Machinery and equipment for the manufacture of prototypes	0.00 EUR
1.3 Other	0.00 EUR
2. <i>Non-investment pre-competitive expenses</i>	
2.1 Staff	6,248,525.12 EUR
2.2 Material	623,000.00 EUR
2.3 External services (procurement / consulting)	3,765,000.00 EUR
2.4 Patents and approvals	165,000.00 EUR
2.5 Travel expenses	169,000.00 EUR
2.6 Other	1,440,000.00 EUR
<b>II. For investments to launch</b>	0.00 EUR
I. <i>Fixed and current assets</i>	
of this, stock and supplies	0.00 EUR
2. <i>Strategic investments</i>	0.00 EUR
of this, launch advertising	
of this, personnel costs for the launch	
3. <i>Financial assets</i>	0.00 EUR
of this, establishment and expansion of a distribution company	
<b>Total</b>	<b>13,866,525.12 EUR</b>

<u>Project-Specific Financing</u>	<u>Amount</u>
1. Own resources	0.00 EUR
2. <i>Participation capital</i>	
2.1 From tbg	750,000.00 EUR
2.2 From lead investor	2,999,947.96 EUR
2.3 Other stakeholders	8,999,577.16 EUR
3. Public funds	
3.1 Subsidies, grants, allowances	0.00 EUR
3.2 Other	1,117,000.00 EUR
4. <i>Borrowed funds</i>	
4.1 From the bank	0.00 EUR
4.2 Other	0.00 EUR
<b>Total</b>	<b>13,866,525.12 EUR</b>

Ruth Oppenheimer, M.A. (Oxford)  
 Öffentlich bestellte Übersetzerin für die englische Sprache / Publicly appointed translator for German & English  
 Am Graben 1e, 86925 Fuchstal, Germany \* Tel. +49 8243 9609223 \* Fax +49 8243 9609224

**CERTIFIED TRANSLATION FROM GERMAN INTO ENGLISH**

**REPAYMENT AGREEMENT**

entered into by and between

Pieris AG

Liese-Meitner-Str. 30, 85354 Freising

referred to hereinafter as: Technology Enterprise (**TE**)

and

tbg Technologie-Beteiligungs-Gesellschaft mbH

Ludwig-Erhard-Platz 1, 53179 Bonn

referred to hereinafter as: **tbg**

**Preamble**

In the context of the programme “Venture Capital for Small Technology Enterprises” conducted by the Federal Ministry of Economics and Technology and KfW (formerly Deutsche Ausgleichsbank), tbg on 13.05.2003 concluded an agreement with TE on a typical silent partnership amounting to EUR 750,000 (referred to hereinafter as “VCTE Agreement”). The capital contribution has been paid up by tbg in full and tbg has not received any repayments in this respect.

Upon expiry of the agreed term of the silent partnership on 31.12.2013, the following claims to which tbg was entitled under the VCTE Agreement fell due:

1. Nominal amount of the silent partnership pursuant to § 2 of the VCTE Agreement:	EUR 750,000.00
2. Outstanding earnings-related payment (gross) pursuant to § 9 of the VCTE Agreement	<u>EUR 450,000.00</u>
<b>Total amount:</b>	<b><u>EUR1,200,000.00</u></b>

**CERTIFIED TRANSLATION FROM GERMAN INTO ENGLISH**

Since TE is unable to repay the total amount on the date on which the agreement expires and its liquidity position does not allow immediate repayment, the parties have agreed that the aforementioned total amount is to be repaid as follows:

**§ 1 Repayment of the Total Amount, Interest**

- (1) By 11.04.2014 at the latest, TE shall pay tbg a tranche of the nominal amount due, which shall amount to

EUR100,000.00

- (2) Repayment of the residual total amount still outstanding following payment of the tranche pursuant to Item (1) above and repayment of the further claims shall be made in several instalments as follows:

1. Instalment on 30.09.2014 (nominal amount)	EUR 50,000.00
2. Instalment on 31.03.2015 (nominal amount)	EUR250,000.00
3. Instalment on 30.09.2015 (nominal amount)	EUR250,000.00
4. Instalment on 31.03.2016 (nominal amount /final compensation gross)	EUR275,000.00
5. Instalment on 30.09.2016 (final compensation gross)	EUR275,000.00

- (3) As from the end of the contractual term of the VCTE Agreement, interest shall be paid on the respective nominal amount still outstanding at a rate totalling 10.53 p.a. The interest shall fall due half-yearly in arrears on 31.03. and on 30.09. of each year. It shall include a handling fee and a risk premium. No interest shall be paid on any claims by tbg to payment of the fixed remuneration, final compensation or earnings-related payment such as may still be outstanding.
- (4) TE shall also be entitled to pay the instalments on an earlier date.
- (5) TE shall ensure payment of the statutory capital gains tax plus “solidarity surcharge” which is due on the earnings-related payment for the original silent partner’s capital contribution; when these payments fall due, it shall make such payments directly to TE’s competent tax office, and within one month it shall issue tbg with a tax certificate within the meaning of Income Tax Act § 45a (2) using the printed forms provided by tbg.
- (6) On 12 November 2012, TE concluded a “Convertible Bridge Loan Agreement” for EUR 2 million, which likewise fell due for repayment on 31.12.2013. TE is currently holding negotiations on how this convertible bridge loan is to be dealt with. If repayment of the convertible bridge loan takes place timewise before the repayment dates according to the provisions of § 1 Item 1 and § 1 Item 2 of this Agreement, and/or if the (pro rata)

## **CERTIFIED TRANSLATION FROM GERMAN INTO ENGLISH**

repayment instalments are higher than the repayment instalments according to the provisions of § 1 Item 1 and § 1 Item 2 of this Agreement, the parties undertake to adjust the repayment terms as laid down in the provisions of § 1 Item 1 and § 1 Item 2 of this Agreement accordingly.

### **§ 2 Information and Control Rights**

- (1) Within 6 weeks of the end of each calendar quarter at the latest, TE shall prepare a report on the preceding calendar quarter - i.e. 4 quarterly reports per year - containing the information requested by tbg, and submit same to tbg in the form required by the latter.
- (2) TE undertakes to submit TE's annual financial statement to tbg within six months of the the balance sheet date at the latest. In exceptional cases, tbg may waive certification by an auditor or chartered public accountant pursuant to Commercial Code § 322.  
Moreover, tbg shall have the right to demand submission of other documents and to inspect TE's accounting records at any time. For exercising its control rights, tbg may avail itself of third parties.
- (3) Should TE fall in arrears with the payment of instalments, copies of TE's bank statements (as per the last day of the month) for all TE's bank accounts shall be submitted within the first ten days of the following month as evidence of TE's financial position and liquidity.
- (4) TE shall grant to the Federal Ministry of Economics and an agent authorised by the latter the same scope of presentation, information and inspection rights as is granted to tbg. TE agrees that tbg may forward the data obtained on its enterprise and on the innovation project being funded to the Federal Ministry of Economics or to any institute commissioned by the latter for the purpose of scientifically evaluating the programme underlying this Agreement. Moreover, TE agrees to also provide the information that is required for scientifically evaluating the programme directly to the Federal Ministry of Economics or to any institute commissioned by the latter. The Federal Ministry of Economics is entitled to disclose the data reported to it to the EU Commission in order for the latter to exercise its powers of supervision and control. When data on the programme is drawn up and possibly published, it shall be ensured that no detriment is caused to TE.
- (5) Vis-à-vis TE, the Federal Audit Office has an auditing right pursuant to Federal Budget Code § 91. For auditing purposes, TE shall make available to the Federal Audit Office, and to tbg all the records which the Federal Audit Office deems necessary and shall furnish information accordingly.

### **§ 4 Payments**

Payments to tbg shall be made into tbg's account at KfW Bank, Frankfurt (acc. no. 12-28833392, sort code 500 204 00), stating the following payment purpose: "Repayment participation Pieris AG, loan no. 5961592, tbg no. 1767". tbg shall collect due receivables under this Agreement on the dates given, using the direct debit authorisation it has been granted by TE.

**§ 5 Termination**

- (1) If TE is in arrears with at least two instalments, tbg shall be entitled to terminate this Agreement with immediate effect.
- (2) If an important cause exists, the contracting parties shall be entitled to terminate this Agreement by written notice with immediate effect. tbg shall be entitled to terminate for important cause in particular:
  - a) if bills of exchange accepted from TE are protested, TE discontinues making payments, insolvency proceedings are instituted against TE's assets, or insolvency is ascertained in any other manner;
  - b) if TE is dissolved or wound up in liquidation proceedings;
  - c) if TE fails to perform its reporting obligations as contractually agreed.

**§ 6 General Provisions**

- (1) Amendments and supplements to this Agreement including this clause on written form must be done in writing. No oral ancillary agreements exist in relation to this Agreement.
- (2) If any provision of this Agreement is ineffective in law, this shall not affect the remaining provisions. TE and tbg shall be under obligation to replace ineffective contractual terms with arrangements which are effective in law and correspond to the legally ineffective provision as closely as possible in meaning and purpose. The same shall apply in the event of any omission in the contractual terms.
- (3) It is agreed that Bonn shall be place of jurisdiction for all and any legal disputes arising from this Agreement or implementation thereof.
- (4) All the services rendered by tbg under this Agreement are financial services exempt from turnover tax. KfW Bank's VAT number is: DE 114 104 280. (Fiscal unity with KfW Bank for turnover tax purposes). Bonn, (date)

Freising, (date)

/s/ Claus Schalper  
\_\_\_\_\_  
Pieris AG  
Lisa-Meitner-Straße 30

/s/ Authorized Signatory

\_\_\_\_\_  
tbg Technologie-  
Beteiligungs-  
Gesellschaft mbH

Fuchstal (date): 10 April 2014

Convenience Translation**Settlement Agreement**

between

1. **Pieris AG**, Lise-Meitner-Str. 30, 85354 Freising

- hereinafter "TC" -

2. **tbg Technologie-Beteiligungs-Gesellschaft mbH**, Ludwig-Erhard-Platz 1, 53179 Bonn

- hereinafter also "tbg" -

- TC and tbg collectively hereinafter the "**Parties**" -**Preamble**

- A. The Parties entered into a participation agreement dated 13 May 2003 ("**BTU Agreement**"). For the purpose of the repayment of the claims of tbg under the BTU Agreement due upon expiry of its term, the Parties entered into a repayment agreement ("**Repayment Agreement**") on 3 April 2014.
- B. The TC intends to enter into an acquisition agreement with the shareholders of the TC and Pieris Pharmaceuticals, Inc., whereby all the shareholders in the TC transfer their shares in the TC to Pieris Pharmaceuticals, Inc. in exchange for shares in Pieris Pharmaceuticals, Inc. ("**Closing**"). Closing is expected for 17 December 2014.
- C. By entering into this settlement agreement the Parties intend to finally settle the claims of tbg. The TC will make the outstanding payments thereafter.

For this purpose, the Parties hereby enter into the following settlement agreement ("**Settlement Agreement**"):

**§ 1****Repayment**

- 1. To date, the TC has made several payments. However, the 2nd and 3rd instalment in the amount of EUR 250,000 each as well as the 4th and 5th instalment in the amount of EUR 275,000 each, each as set forth in § 1 para. 2 of the Repayment Agreement, are still outstanding. Therefore all outstanding claims of tbg consisting of nominal amount and final remuneration amount to EUR 1,050,000.00 in aggregate ("**Gross Settlement Amount**").

2. A partial amount of EUR 450,000.00 of this Gross Settlement Amount results from a silent participation and is therefore considered by the Parties to be capital gains within the meaning of § 43 para. 1 sentence 1 no. 3 EStG (German Income Tax Act). They therefore assume that the gross amount of the final remuneration of EUR 450,000.00 will be subject to capital gains tax in the amount of EUR 112,500.00 as well as solidarity surcharge (*Solidaritätszuschlag*) in the amount of EUR 6,188 which is to be paid to the company tax office (*Betriebsfinanzamt*) responsible for the TC. The TC will confirm this to tbg in an corresponding tax confirmation, draft attached as Schedule 1, after payment. The net amount calculated therefrom of EUR 931,312.00 in total is to be paid to tbg in two instalments. The amounts set forth in this para. 2 have been calculated by the Parties; consequently, changes might occur if the company tax office responsible for the TC is of a different opinion. The TC will in no event be obliged to pay more than the Gross Settlement Amount.
3. The TC will pay the Gross Settlement Amount of EUR 1,050,000.00 in the two following instalments:
  - EUR 600,000.00 (gross) with respect to the nominal amount of the silent participation on 31 January 2015 plus interest as of this date, calculated on a daily basis, in the amount of EUR 19,290.37 as well as
  - EUR 331,312.00 (net) with respect to the profit-based remuneration on 31 March 2015.The payments shall be made to the following bank account of tbg with the effect of discharging the debt:  
IBAN DE22 5002 0400 1228 8333 92  
BIC: KFWIDEFFXXX  
Bank: KfW Frankfurt  
Reference: 4594715 Zahlung gem. Abrechnungsvereinbarung
4. Upon payment of the Gross Settlement Amount as described above and the delivery of the corresponding tax confirmation, all mutual claims from or in connection with the BTU Agreement and the Repayment Agreement in their respective current versions, irrespective of the legal grounds of the claims and the date on which they have come into existence, will be settled.
5. tbg will confirm in text form without undue delay the receipt of the payment to the TC.

**Miscellaneous**

1. The provisions of § 1 are subject to the condition precedent that Closing is effected. The TC will inform tbg without undue delay once Closing has been effected.
2. All services performed by tbg under this agreement are value-added-tax-free financial services. The value-added tax identification number of KfW is: DE 114 104 280 (tax unity (*Organschaft*) for value-added tax purposes).
3. Amendments and supplements to this agreement including the cancellation of the written form requirement require written form to be effective.
4. Should individual provisions of this agreement be or become invalid or unenforceable or should this agreement have any gaps, this shall not affect the validity of the other provisions. In place of the invalid or unenforceable provisions a valid provision shall be deemed agreed which the Parties would presumably have agreed on if they had been aware of the invalidity, unenforceability or the omission of the relevant provisions when entering into this agreement. Should a provision be or become invalid due to the scope of performance agreed upon therein, the scope of performance agreed upon in the provision shall be adapted to the legally permitted extent.
5. The place of jurisdiction for all disputes under or in connection with this agreement shall be Bonn.

Parties

Bonn, 11 December 2014

/s/ ppa. Röttcher  
/s/ ppa. Michael Steinmetzer

tbg

Freising, 11 December 2014

/s/ i.V. Claus Schalper  
/s/ Stephen S. Yoder

Pieris AG

Schedule 1: Tax confirmation



**Convenience Translation**

Pieris Proteolab AG  
Mr. Claus Schalper  
Lise-Meitner-Str. 30

85354 Freising-Weihenstephan

Your ref.: 28833392 DN 9817507

tbg Technologie-Beteiligungs-  
Gesellschaft mbH  
53170 Bonn

**Tax confirmation**  
of a performing corporation, association of persons or estate  
or of a partnership

- Individual tax confirmation
- Combined confirmation for the time period 05/ 2003 – 03/ 2015

**We confirm that individual tax confirmations have not been issued in this respect.**

To

tbg Technologie-Beteiligungs-Gesellschaft mbH, Ludwig-Erhard-Platz 1, 53179 Bonn,  
(Name and address of the creditor of the capital gains)

pursuant to the resolution of \_\_\_\_\_ on \_\_\_\_\_ for \_\_\_\_\_ see above  
(payment date) (time period)

the following capital gains were paid:

Capital gains within the meaning of § 43 para. 1 sentence 1 no. 1 EStG (German Income Tax Act)	
Capital gains within the meaning of § 43 para. 1 sentence 1 no. 2 und 3 EStG (German Income Tax Act)	€
Capital gains included herein from which the tax deduction was made in the amount of three fifths (§ 44a para. 8 EStG (German Income Tax Act))	
Amount of the capital gains tax thereon	
Amount of capital gains tax at 25 %	112,500.00 Euro
Amount of Solidarity Surcharge	6,188.00 Euro
Payments from the capital contributions account for tax purposes (§ 27 para. 1 - 7 KStG (German Corporations Tax Act))	

Freising-Weihenstephan

Place, Date

Company stamp

Please sign personally!

April 14, 2014

**Convertible Bridge Loan Agreement****Dated April 14, 2014****between**

1. **Pieris AG**, Lise-Meitner-Str. 30, 85354 Freising, Germany (the “**Company**”), represented by its management board, consisting of Stephen S. Yoder, and its supervisory board, represented by its chairman, Dr. Hans A. Küpper, and
2. the persons or entities listed in **Exhibit A**, who are the shareholders of the Company (the “**Shareholders**”).

The Company and the Shareholders shall be jointly referred to as the “**Parties**”.

**Preamble**

1. The Shareholders are the current holders of all shares in the Company, which is registered in the commercial register of the local court of Munich (hereinafter referred to as the “**Commercial Register**”) under no. HRB 133223. The Preferred Shares Series A, Preferred Shares Series A-1 and Preferred Shares Series B of the Company (the “**Preferred Shares**”) are currently held by the persons listed in **Exhibit A** as holders of Preferred Shares Series A, Preferred Shares Series A-1 and Preferred Shares Series B (the “**Preferred Shareholders**”). The object of the Company is biotechnological research as well as the development and distribution of the research results.
2. With regard to the Company a series of rounds of financing providing for equity capital were closed and corresponding agreements were entered into, in particular the Investment Agreement and the Shareholders Agreement both dated October 23, 2002, the Investment Agreement dated October 14, 2004 (file no. V 2519/2004 of the notary Dr. Oliver Vossius, Munich), the Investment Agreement and the Shareholders Agreement both dated November 13, 2006, the Consolidated Shareholders’ Agreement 2008 and Investment Agreement both dated March 26, 2008 as well as the Convertible Bridge Loan Agreement dated November 12, 2012 (the “**Convertible Bridge Loan Agreement 2012**”) and the Consolidated Shareholders’ Agreement 2012 (the “**CSA 2012**”), attached hereto as **Exhibit B**, dated November 12, 2012, by which agreement all aforementioned shareholders’ agreements were consolidated and replaced. The Convertible Bridge Loan Agreement 2012 was amended by an Amendment Agreement dated March 2014 (the “**Bridge Loan 2012 Amendment**”).

3. Under the Convertible Bridge Loan Agreement 2012, a convertible bridge loan in the amount of EUR 2,000,000 was granted to the Company by certain Preferred Shareholders (the “**Convertible Bridge Loan 2012**”). The parties thereto agreed in the Bridge Loan 2012 Amendment (i) that the Company should repay the EUR equivalent of up to USD four hundred thousand (400,000) of the Convertible Bridge Loan 2012 (the “**Repayment Amount**”) to its holders before its maturity date and (ii) that the Company should pay this amount on behalf of the holders to the identified Shell Company (as defined in para. (9) of the Preamble) and/or its shareholders in order to ensure all necessary corporate actions and other measures in connection with the intended Reverse Merger (as defined in para. (9) of the Preamble) are taken by the Shell Company and/or its shareholders. Of this Repayment Amount, the EUR equivalent of up to USD fifty thousand (50,000) was paid for this purpose on March 31, 2014. As of the signing of this Convertible Bridge Loan Agreement, the remaining principal amount of the Convertible Bridge Loan 2012 is still outstanding and has not been repaid.
4. The current shareholding in the Company is as follows:

<u>Shareholder</u>	<u>Number of Common Shares</u>	<u>Number of Preferred Shares Series A</u>	<u>Number of Preferred Shares Series A-1</u>	<u>Number of Preferred Shares Series B</u>
Prof. Skerra Bet. GmbH	43,663			
Dr. Steffen Schlehüser	1,162			
Claus Schalper	870			
Dr. Karsten Schürle	584			
MAPO Bet. GmbH	5,664			
BioM AG	2,950			1,852
BioM Venture Capital GmbH & Co. KG	1,870	40,537	8,277	5,926
Transconnect Corporate Finance Beratungs GmbH	3,230	6,755	2,570	6,189
The Global Life Science Ventures Fonds II GmbH & Co. KG		45,606	17,358	31,035
The Global Life Science Ventures Fund II LP		35,474	13,501	24,139
Gilde Europe Food & Agribusiness Fund B.V.		81,080	30,858	55,174
Baytech Venture Capital GmbH & Co. KG		60,812	9,312	9,312
Coöperatieve AAC LS U.A.		54,049	14,070	33,575
KfW			22,973	11,324
Technologie Beteiligungsfonds II Bayern GmbH & Co. KG			13,513	6,659
Orbimed Private Investments III, LP				183,438
Orbimed Associates III, LLC				1,747
Novo Nordisk A/S				92,593
<b>Total</b>	<b>59,993</b>	<b>324,313</b>	<b>132,432</b>	<b>462,963</b>

5. The Company now seeks a bridge financing amounting to a total of up to EUR 2,000,000 in this financing round (the “**2014 Financing Round**”) to be provided by a convertible bridge loan granted to the Company by certain Preferred Shareholders.
6. To this end, those Preferred Shareholders listed in the table in Sec. 1 (*Convertible Bridge Loan*) para. (2) of this Convertible Bridge Loan Agreement with a Loan Amount other than zero (0) (the “**Investors**”) intend to make available to the Company a bridge loan in the total amount of up to EUR 2,000,000 which may be convertible into shares of the Company as provided in this Agreement and is divided into (i) a tranche A of EUR 1,500,000 and (ii) a tranche B of up to EUR 500,000 subject to the terms and conditions of this Convertible Bridge Loan Agreement (the “**Convertible Bridge Loan**”). Each Preferred Shareholder was initially offered an investment in the Convertible Bridge Loan pro rata to his shareholding of Preferred Shares. As one or several Preferred Shareholders did not participate in the granting of the Convertible Bridge Loan or participated with less than their pro rata share of the Convertible Bridge Loan, the remaining principal amount of the Convertible Bridge Loan was offered to the other Preferred Shareholders pro rata to their shareholding of Preferred Shares, resulting in the allocation of the principal amount of the Convertible Bridge Loan among the Preferred Shareholders as set forth the table under Sec. 1 (*Convertible Bridge Loan*) para. (2) of this Convertible Bridge Loan Agreement.
7. The Shareholders are in agreement that their current and future relationship as shareholders of the Company is governed by the CSA 2012. The CSA 2012 forms an integral part of this Convertible Bridge Loan Agreement. Terms used but not defined herein have the same meaning as given to them in the CSA 2012.
8. It is intended by the Parties that all of the Company’s shares, irrespective of their liquidation preference, will be contributed (*eingbracht*) by the Shareholders into a U.S. shell company (the “**Shell Company**”), which is to be listed on a stock exchange (e.g. first on OTC Bulletin and, subsequently, on NASDAQ), or into a subsidiary of such Shell Company, against issuance of shares of common stock in the Shell Company to the Shareholders (the “**Reverse Merger**”). The Company has identified Zosano, Inc., a Delaware corporation, as the Shell Company.

NOW, THEREFORE, the Parties hereto enter into the following Convertible Bridge Loan Agreement (hereinafter referred to as this “**Agreement**”):

**Sec.1**  
**Convertible Bridge Loan**

1. Subject to the terms and conditions of this Agreement, the Investors grant to the Company a loan in the amount of up to Euro 2,000,000 which may be convertible into shares of the Company as provided in this Agreement and is divided into (i) a tranche A of EUR 1,500,000 and (ii) a tranche B of up to EUR 500,000 (the “**Convertible Bridge Loan**”).
  
2. The principal amount of the Convertible Bridge Loan shall be allocated among the Investors as displayed in the table below (the portion of each Investor of the Convertible Bridge Loan a “**Loan Amount**” and, collectively, the “**Loan Amounts**”; each Investor’s pro rata portion of the Convertible Bridge Loan, based on his or its shareholding of Preferred Shares, insofar as such pro portion does not exceed his or its Loan Amount, a “**Pro Rata Loan Amount**” and, collectively, the “**Pro Rata Loan Amounts**”; the amount by which each Investor’s Loan Amount exceeds his Pro Rata Loan Amount, if applicable, a “**Super Pro Rata Loan Amount**” and, collectively, the “**Super Pro Rata Loan Amounts**”; and the portion of each Investor of the Tranche A and of the Tranche B a “**Tranche A Loan Amount**” and a “**Tranche B Loan Amount**”, respectively, and collectively, the “**Tranche A Loan Amounts**” and “**Tranche B Loan Amounts**”, respectively):

<b>Investor</b>	<b>Loan Amount in EUR</b>	<b>Pro Rata Loan Amount in EUR</b>	<b>Super Pro Rata Loan Amount in EUR</b>	<b>Tranche A in EUR</b>	<b>Tranche B in EUR</b>
Orbimed Private Investments III, LP	797.987	395.444	402.543	598.490	199.497
Orbimed Associates III, LLC	5.001	3.766	1.235	3.751	1.250
Novo Nordisk A/S	199.606	199.606		149.705	49.902
Transconnect Corporate Finance Beratungs GmbH	53.659	40.407	13.252	40.244	13.415
BioM AG	13.747	10.352	3.395	10.310	3.437
BioM Venture Capital GmbH & Co. KG	0	122.036		0	0
The Global Life Science Ventures Fonds II GmbH & Co. KG	168.746	202.637		126.560	42.197
The Global Life Science Ventures Fund II LP	131.254	157.614		98.440	32.813
Gilde Europe Food & Agribusiness Fund B.V.	300.000	360.249		225.000	75.000
Baytech Venture Capital GmbH & Co. KG	200.000	171.243	28.757	150.000	50.000
Coöperatieve AAC LS U.A.	130.000	219.225		97.500	32.500
KfW	0	73.935		0	0
Technologie Beteiligungsfonds II Bayern GmbH & Co. KG (BayernKapital)	0	43.485		0	0
<b>Total</b>	<b>2.000.000</b>	<b>2.000.000</b>	<b>449.182</b>	<b>1.500.000</b>	<b>500.000</b>

3. All Shareholders hereby expressly and irrevocably consent to the allocation of the principal amount of the Convertible Bridge Loan among the Investors pursuant to para. (2) of this Sec. 1 and hereby waive any subscription rights or similar rights in relation to the Convertible Bridge Loan.
4. The Loan Amounts shall be paid out by the Investors to the Company as follows:
  - a. The Tranche A Loan Amounts shall be paid out by the Investors to an account notified by the Company to the Investors, once the Company has made a capital call to the Investors, at the earliest upon the signing of this Agreement by all Parties and subject to Sec. 13 (*Lapse of Outstanding Capital Commitments; New Capital Commitments*) of this Agreement, within ten (10) bank working days in Frankfurt/Main, Germany, after receipt of such capital call.

- b. The Tranche B Loan Amounts shall be paid out by the Investors to an account notified by the Company to the Investors within ten (10) bank working days in Frankfurt/Main, Germany, after all of the following events have taken place: (i) the management board of the Company has determined that a financial need of the Company arises before the Maturity Date (as defined in Sec. 3 (*Term*) of this Agreement), and (ii) the Investors have received a capital call made by the Company, subject to Sec. 13 (*Lapse of Commitments*) of this Agreement.

**Sec. 2**  
**Use of Proceeds**

The Company shall use the Convertible Bridge Loan for general corporate purposes, including repayment (or partial repayment) of the Convertible Bridge Loan 2012.

**Sec. 3**  
**Term**

The Convertible Bridge Loan is granted until December 31, 2015 (the "**Maturity Date**"). The Convertible Bridge Loan (as well as each called Loan Amount to the respective Investor) shall be due for repayment, on the Maturity Date, unless the Convertible Bridge Loan is terminated before the Maturity Date in accordance with Sec. 5 (*Early Termination and Repayment*), whereupon the Convertible Bridge Loan (as well as each called Loan Amount to the respective Investor) shall be due for repayment in accordance with Sec. 5 (*Early Termination and Repayment*) para. (5). In the event that the Company fails to repay the full amount of (i) the called Loan Amounts plus (ii) accrued interests, within thirty (30) days from the Maturity Date, then a repayment scheme will be negotiated in good faith between the Company and the Shareholders, contemplating a defaulting interest rate.

**Sec. 4**  
**Interest**

The Loan Amounts shall bear interest on the amount outstanding until the Loan Amounts are repaid at a rate of 12% per annum on or before the Maturity Date. If and to the extent the Loan Amounts have not been repaid by the Maturity Date, the Loan Amounts shall from then on bear interest on the amount out-

standing at a rate of 18% per annum. The interest is to be calculated on the basis of a year with 360 days with 12 months of 30 days each. The interest on the Loan Amounts is due and payable upon repayment of the Loan Amounts to the Investors. If the Convertible Bridge Loan is converted into shares of the Company as provided in this Agreement, the respective formula set out in Sec. 11 (*Number of New Shares*) of this Agreement shall apply.

## Sec. 5 Early Termination and Repayment

1. Except where Investors have request the conversion under Sec. 9. (*Conversion Request*) of this Agreement and subject to Sec. 14 (*Exercise of Investor Rights*) of this Agreement, the Investors are entitled to terminate the Convertible Bridge Loan before the Maturity Date and request the repayment of the called Loan Amounts plus any interest accrued thereon,
  - a. in case of the closing of an Exit Event (as such term is defined in Sec. 11 (*Preference / Sale Proceeds / Conversion*) para. (1) of the CSA 2012);  
or
  - b. in case of the closing of a financing of the Company lead by a financial or strategic investor currently not affiliated with the Company resulting in aggregate proceeds available to the Company of not less than EUR 10,000,000 ("**Qualified Financing**").
2. The Company and the Investors, subject to Sec. 14 (*Exercise of Investor Rights*) of this Agreement, are entitled to terminate the Convertible Bridge Loan for good cause (*aus wichtigem Grund*) at any time. Furthermore and notwithstanding the foregoing, each Investor individually is entitled to terminate the respective Loan Amount for good cause at any time. Good cause for the Investors includes, without limitation, the following events:
  - a. voluntary bankruptcy / insolvency events of the Company (in particular, if the Company is insolvent within the meaning of § 17 German Insolvency Code (*Insolvenzordnung*) or if the Company applies for such proceedings to be commenced or offers an out-of-court settlement in order to avoid such proceedings); or
  - b. the opening of involuntary bankruptcy / insolvency proceedings (*Eröffnung eines Insolvenzverfahrens*) over the Company's assets.
3. The termination right pursuant to para. (1) and (2) of this Sec. 5 must be exercised in writing.



4. In case the Convertible Bridge Loan or a Loan Amount is validly terminated, the Company is obliged to repay the called Loan Amounts or Loan Amount, respectively (plus interest accrued until that date), within five (5) bank working days in Frankfurt/Main, Germany.

## **Sec. 6 Payments**

1. Unless an Investor gives other instructions in writing to the Company, all payments to be made to the respective Investor under this Agreement shall exclusively be made by money transfer in Euros by the Company to an account of the respective Investor, which account should be submitted by such Investor to the Company.
2. When the Company makes payments to the Investors, it is obliged to treat the Investors equally. Therefore, all payments to the Investors have to be made at the same time, if reasonably practicable, and pro rata to their Loan Amounts.
3. Insofar as the Company makes payments to the Investors disregarding the regulation under para. (2) of this Sec. 6, the Investors undertake vis-à-vis each other to compensate each other for such deviating payment to the extent that the aggrieved Investor would have received such payments if the Company had considered the regulations under para. (2) of this Sec. 6.

## **Sec. 7 Taxes and Duties**

All payments by the Company to be made to the Investors under this Agreement shall be made without a discount or deduction of any existent or future taxes or duties of whatever kind raised in the Federal Republic of Germany, unless the Company is obliged by law to withhold or deduct such taxes or duties.

## **Sec. 8 Qualified Subordination**

1. The Parties herewith agree that claims for repayment of the Loan Amounts (including interest, costs and any other accessory claim, if any) (the “**Claims**”) shall be irrevocably subordinated to any and all other liabilities, with the exception of those ranking pari passu, of the Company vis-à-vis its current or future creditors and therefore do not have to be settled, as long as and to the extent that the Company is insolvent or over-indebted or was to be qualified as insolvent or over-indebted pursuant to §§ 17, 19 German Insolvency Code (*Insolvenzordnung*), would the Claims not be subordinated, or would an insolvency or over-indebtedness of the Company exist for any other reason. This

subordination also applies to the final distribution of liquidation proceeds pursuant to § 199 German Insolvency Code in the event of an insolvency proceeding (*Insolvenzverfahren*). Repayments of the Loan Amounts shall only be made from future annual net income, net income from winding up or from other free assets (*sonstiges freies Vermögen*) of the Company. To the extent the Claims are subordinated, the Claims are ranked behind claims pursuant to § 39 para. 1 no. 5 German Insolvency Code (*Insolvenzordnung*).

2. If German jurisprudence should require further requirements for a qualified subordination agreement to be apt to avoid insolvency or over-indebtedness under German Insolvency Law, the Claims of the Holder shall be regarded as having such rank as required in particular pursuant to German jurisprudence in order to avoid the passivation as liability in an over-indebtedness balance sheet (*Überschuldungsbilanz*) of the Company.

## **Sec. 9 Conversion Request**

1. At any time after the Maturity Date, the Investors are entitled but not obliged to request the conversion in accordance with Sec. 10 (*Conversion*) and subject to Sec. 14 (*Exercise of Investor Rights*) of this Agreement, in whole or in part, of the Loan Amounts into series B shares of the Company at the Series B Conversion Price (as defined in Sec. 11 (*Number of New Shares*) of this Agreement) for their Pro Rata Loan Amounts and at the Preferred Series B Conversion Price (as defined in Sec. 11 (*Number of New Shares*) of this Agreement) for their Super Pro Rata Loan Amounts, if and to the extent the Loan Amounts have not been repaid on or before the Maturity Date.
2. Upon the occurrence of an Exit Event prior to the Maturity Date, the Investors are entitled but not obliged to request the conversion in accordance with Sec. 10 (*Conversion*) and subject to Sec. 14 (*Exercise of Investor Rights*) of this Agreement, in whole or in part, of the Loan Amounts into series B shares of the Company at the Series B Conversion Price (as defined in Sec. 11 (*Number of New Shares*) of this Agreement) for their Pro Rata Loan Amounts and at the Preferred Series B Conversion Price (as defined in Sec. 11 (*Number of New Shares*) of this Agreement) for their Super Pro Rata Loan Amounts, if and to the extent the Loan Amounts have not been repaid.
3. Upon the closing of a Qualified Financing, the Investors are entitled but not obliged to request the conversion in accordance with Sec. 10 (*Conversion*) and subject to Sec. 14 (*Exercise of Investor Rights*) of this Agreement, in whole or in part, of the Loan Amounts into the preferred stock of the Company, whether this

is series B or any other series of preferred stock which is issued to new investors in a Qualified Financing (the “**Qualified Financing Shares**”) at the Qualified Financing Conversion Price (as defined in Sec. 11 (*Number of New Shares*) of this Agreement) for their Pro Rata Loan Amounts and at the Preferred Qualified Financing Conversion Price (as defined in Sec. 11 (*Number of New Shares*) of this Agreement) for their Super Pro Rata Loan Amounts, if and to the extent the Loan Amounts have not been repaid.

4. The Investors may request the conversion of the Loan Amounts in accordance with para. (2) and (3) of this Sec. 9 at any time during a period of four (4) weeks after the occurrence of the Exit Event or closing of the Qualified Financing, respectively.

#### **Sec. 10 Conversion**

1. In order to request conversion of the Loan Amounts pursuant to Sec. 9 (*Conversion Request*) of this Agreement, the Investors shall submit to the Company a notice of conversion, in whole or in part, of the Loan Amounts (using the form enclosed in **Exhibit C**) (the “**Conversion Notice**”).
2. In the event that the Company receives a Conversion Notice, the Company shall invite all Shareholders, with the exception of the persons listed as indirect shareholders in **Exhibit A**, to a shareholders’ meeting to be held within three (3) months after receipt of the Conversion Notice by the Company, and all Shareholders undertake to vote their shares in such a shareholders’ meeting, to pass all resolutions required (including but not limited to resolutions on a capital increase required to issue the New Shares as defined below (the “**Capital Increase**”) and necessary amendments to the Company’s Articles of Association) to issue the respective number of new series B shares or Qualified Financing Shares, respectively (the “**New Shares**”), to be calculated according to Sec. 11 (*Number of New Shares*) of this Agreement, to the Investors. The New Shares shall each be in registered form, and shall be issued as non-par value shares with a portion of the Company’s share capital (*anteiliger Betrag des Grundkapitals*) of EUR 1.00 each, and shall be issued at an issue price (*Ausgabebetrag*) of EUR 1.00 per share without any premium. The New Shares shall have the right to participate in profits as from the beginning of the financial year in which they have been issued.
3. Each Shareholder undertakes individually for himself or itself vis-à-vis each other party hereto, to do or cause to be done everything necessary to implement the conversion request. Thus, the Shareholders undertake in particular to co-

operate in the Capital Increase of the Company and in necessary amendments to the Company's Articles of Association by exercising their voting rights in said shareholders' meeting of the Company, by subscribing to the New Shares as provided in this Agreement and/or by waiving subscriptions rights to New Shares in the Company if required to implement the conversion request.

4. To the extent legally permitted, the Company and Shareholders shall secure that (i) the Company's management board and the supervisory board will execute the Capital Increase, and (ii) the Company will (a) accept the subscription of New Shares as described above, as well as (b) without undue delay apply for registration and of the consummation of the Capital Increase with the Commercial Register.
5. The Investors shall pay in full their respective part of the cash contribution (EUR 1.00 per share) within ten (10) bank working days in Frankfurt/Main, Germany, after such Investor has subscribed for New Shares to the Company's special account to be named by the Company. Payments shall be made exclusively to this special account, which will be opened solely for this purpose and must not be used for other transactions or payments prior to the conclusion of the aforementioned payments. This special account must not have a debit balance immediately prior to the aforementioned payments being effected, so that the Company's management board can freely dispose of the amounts paid (cf. Sec. 188, 36, 36a, 37 German Act on Stock Corporations; "**AktG**").
6. In the event that the Investors request the conversion, in whole or in part, of the Loan Amounts in accordance with Sec. 9 (*Conversion Request*) para. (1), (2) or (3) of this Agreement and subscribe for the New Shares, each Investor shall contribute (*einlegen*) without further consideration his claim for repayment of the respective Loan Amount into the Company's capital reserves pursuant to § 272 para. (2) no. 4 German Commercial Code (*Handelsgesetzbuch*). The aforementioned contribution will be made subject to the implementation (*Durchführung*) of the Capital Increase, i.e. the effective issue of the respective New Shares to such Investor. For clarification purposes: the Company itself shall not be entitled to demand the contribution pursuant to this para. (6). Alternatively, to the aforementioned contribution of the claim for repayment, the Investors may elect to waive their claims for repayment vis-à-vis the Company. In this case, sentences 2 and 3 of this para. (6) shall apply accordingly.

**Sec. 11**  
**Number of New Shares**

1. The number of new series B shares to be issued in the course of the conversion in accordance with Sec. 9 (*Conversion Request*) para. (1) and (2) of this Agreement to each Investor shall be determined by the Pro Rata Loan Amount, to the extent that has been paid out, divided by the “**Series B Conversion Price**”, plus the Super Pro Rata Loan Amount, to the extent that has been paid out, divided by the “**Preferred Series B Conversion Price**”, which are to be calculated as follows:

a. Series B Conversion Price:

**Series B Conversion Price =**

**EUR 53 divided by [1 + (0.01 \* M + 0.015 \* N)],**

whereby M is the number of full months (rounded off) from the payment of the Loan Amounts to the Company until the earlier of the (i) Maturity Date, or, (ii) the closing of a Qualified Financing or an Exit Event and

whereby N is the number of full months (rounded off) from the payment of the Loan Amounts to the Company until Conversion less M, but in any case not less than EUR 1.00.

b. Preferred Series B Conversion Price:

**Preferred Series B Conversion Price =**

**Series B Conversion Price \* 0.7,**

but in any case not less than EUR 1.00.

2. The number of new Qualified Financing Shares with a nominal value of EUR 1.00 each to be issued in the course of the conversion in accordance with Sec. 9 (*Conversion Request*) para. (3) of this Agreement to each Investor shall be determined by the Pro Rata Loan Amount, to the extent that has been paid out, divided by the “**Qualified Financing Conversion Price**”, plus the Super Pro Rata Loan Amount, to the extent that has been paid out, divided by the “**Preferred Qualified Financing Conversion Price**”, which are to be calculated as follows:

a. Qualified Financing Conversion Price:

**Qualified Financing Conversion Price =**

**the price per share of preferred stock of the Company issued to investors in a Qualified Financing less a discount of twenty percent (20%) divided by  $[1 + (0.01 * M + 0.015 * N)]$ ,**

whereby M and N have the meaning as defined in para. (1) of this Sec. 11,

but in any case not less than EUR 1.00.

b. Preferred Qualified Financing Conversion Price:

**Preferred Qualified Financing Conversion Price =**

**Qualified Financing Conversion Price \* 0.9,**

but in any case not less than EUR 1.00.

3. Residual amounts of the respective Loan Amounts that are indivisible after application of para. (1) and (2) of this Sec. 11 are awarded to such Investor who has the highest Loan Amount and will increase his Loan Amount which is subject to conversion in accordance with para. (1) and (2) of this Sec. 11, the result being rounded down to the nearest whole number.

## Sec. 12

### Lapse of the Conversion Right

1. The right of the Investors to request conversion pursuant to Sec. 9 (*Conversion Request*) of this Agreement shall lapse, provided that
  - a. the Company is converted to a different or into another legal entity within the meaning of the German Act on Transformations (*Umwandlungsgesetz*), and
  - a. the Investors are compensated with (i) conversion rights to shares of the new legal entity, or (ii) shares of the new legal entity, each of equal value.
2. Shares or respectively conversion rights in the new legal entity are considered as having equal value, if their value is equivalent to the value of the conversion rights of the Company on the point in time of the effectiveness of the conversion. The valuation of these conversion rights / shares will be undertaken by the auditor of the conversion or, if an audit within the conversion is not mandatory by law, by a business valuator to be instructed by the Company and the Investors.
3. In the event that the Reverse Merger takes place (i.e. with the contribution of all shares in the Company into the Shell Company becoming effective) before De

ember 31, 2014 (the “**Reverse Merger Event**”), (i) the right of the Investors to request conversion pursuant to Sec. 9 (*Conversion Request*) of this Agreement shall lapse, and (ii) the Company shall be entitled to, subject to Sec. 3 (*Term*) of this Agreement, repay the called Loan Amounts plus any interest accrued thereon in accordance with a payment schedule to be notified by the Company to the Inventors.

### Sec. 13

#### Lapse of Loan Commitments; New Capital Commitments

1. In case of a Reverse Merger Event, any amounts of Tranche A or Tranche B which have not been called at the time of the Reverse Merger Event can no longer be called by the Company and the respective outstanding capital commitments made by the Investors in this Agreement with regard to their Loan Amounts, to the extent these have not been paid in (the “Outstanding Capital Commitments”), shall lapse.
2. The Investors hereby undertake to make new capital commitments, in case of a Reverse Merger Event, in an amount equal to the Outstanding Capital Commitments, during the first PIPE (private investment in public equity) financing of the Shell Company, wherein each Inventor will make new capital commitment, during said PIPE financing, equal to his or its uncalled Loan Amount in accordance with Sec. 1 para. (2).
3. The Investors hereby undertake to, for the purposes of said new capital commitments, enter into a share purchase agreement to subscribe shares of common stock in the Shell Company substantially in the form as attached as **Exhibit D**, with a purchase price per share identical to that paid by other investors participating in said PIPE financing.

### Sec. 14

#### Exercise of Investor Rights

1. Investor rights, including but not limited to the right to claim repayment and the right to request conversion of the Convertible Bridge Loan, may only be exercised jointly by the Investors and upon demand of Investors whose aggregated Loan Amounts exceed 50% of the total Loan Amounts (the “**Investor Majority**”), unless specified differently in this Agreement.
2. Each Investor shall exercise his rights in accordance with the decision of the Investor Majority and shall procure to take all measures required to not block or prevent such decision of the Investor Majority and its implementation.

**Sec. 15**  
**Expenses**

The Company shall pay the Investors' reasonable due diligence and legal expenses (including VAT, if applicable), limited to an aggregate amount of EUR 15,000.00 for all Investors, subject to the Convertible Bridge Loan being paid out.

**Sec. 16**  
**Final Provisions**

1. Each of the Shareholders shall be entitled to transfer its rights and obligations under this Agreement together with the shares to which such rights and obligations relate in whole or in part, provided that such Shareholder may transfer his shares under the CSA 2012.
2. Each of the Shareholders undertakes individually for himself or itself vis-à-vis each other Shareholder, to impose on his individual legal successors, if any, the rights and obligations arising under this Agreement in such a way, that his individual legal successors are bound by the rights and obligations under this Agreement as if they had themselves undertaken these rights and obligations. This shall also apply to the obligation undertaken in this para. 2 to impose the rights and obligations under this Agreement on any individual legal successors.
3. The Shareholders are entitled to the rights under this Agreement to the exclusion of any joint entitlement, i.e. in such a way that each of the Shareholders may individually exercise the rights to which they are entitled, unless otherwise expressly provided in this Agreement. Joint and several liability (*gesamtschuldnerische Haftung*) of the Shareholders – including but not limited to the payment of the Loan Amounts to the Company – shall be excluded.
4. Amendments and additions to this Agreement must be made in writing to be effective unless notarization is required. This shall also apply to a waiver of the written form requirement. Signatures transmitted by way of facsimile communication shall satisfy the written form requirement of this para. (4) and shall also suffice in all other cases where a written form requirement is made in this Agreement.
5. Should individual terms of this Agreement be or become invalid or unenforceable or if this Agreement contains gaps, this shall not affect the validity of the remaining terms of this Agreement or the CSA 2012. In place of the invalid, unenforceable or missing term, such valid term which the parties would reasonably have agreed, had they been aware at the conclusion of this Agreement that the relevant term was invalid, unenforceable or missing, shall be deemed to have been agreed. Should a term of this Agreement be or become invalid because of the scope or time of performance for which it provides, then the agreed scope or time of performance shall be amended to correspond with the extent legally permitted.



6. The Parties shall keep strictly confidential the fact that they have entered into negotiations regarding the transactions contemplated in this Agreement and the contents of such negotiations and the contents of this Agreement, except if and to the extent that disclosure is required by law or stock exchange regulations and the other parties have been notified of such requirement. This Agreement, however, may be shared with the existing shareholders and potential outside investors. Furthermore, the Parties are permitted to share such information with the persons/entities/bodies mentioned in Sec. 22 (*Additional Undertakings, Prohibition to Compete, D & O Insurance*) para. (2) sentence 2 of the CSA 2012. In particular, Technologie Beteiligungsfonds II Bayern GmbH & Co. KG and KfW shall be allowed to disclose their participations in the Company vis-à-vis the Bavarian Supreme Auditing Agency (*Bayerischer Oberster Rechnungshof*), the Federal Supervisory Agency (*Bundesrechnungshof*) and the Federal Department of Economics (*Bundeswirtschaftsministerium*) as required by applicable law.
7. Prior to any announcement, the Company and the Investors shall agree upon the form and contents of any press release with respect to this Convertible Bridge Loan.
8. With regard to the signing of the Agreement, signatures transmitted by way of facsimile communication shall suffice and be binding. Reception of an original copy of this Agreement signed by all Parties is not a condition for the validity of this Agreement.
9. This Agreement is governed by and shall be construed in accordance with the laws of Germany, without regard to its provisions of private international law and excluding the UN Sales Convention.
10. To the extent legally permissible, place of venue and performance shall be Munich. All disputes arising in connection with this Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law and according to the Arbitration Agreement enclosed as **Exhibit E**. This shall include disputes regarding the validity, the performance or the termination of this Investment Agreement in whole or in part including possible amendments of the same. The place of arbitration is Munich. The arbitration tribunal consists of three arbitrators. The language of the arbitration proceeding is English.
11. The Exhibits to this Agreement are an essential part of it. The headings in this Agreement only serve for a better orientation and are of no significance for the content and interpretation of this Agreement. Explanations in a provision or Exhibit to this Agreement are also deemed to be listed for purposes of all other provisions or Exhibits.

12. German definitions in this document shall take precedence over the respective English terms.

Freising, April 2014

/s/ Stephen Yoder

Pieris AG

signed for and on behalf of the Management Board

/s/ Hans Küpper

Pieris AG

signed for and on behalf of the Supervisory Board

/s/ Authorized Signatory

Orbimed Private Investments III, LP

/s/ Authorized Signatory

Orbimed Associates III, LLC

/s/ Authorized Signatory

Novo Nordisk A/S

/s/ Authorized Signatory

Transconnect Corporate Finance Beratungs GmbH

/s/ Authorized Signatory

BioM AG

/s/ Authorized Signatory

BioM Venture Capital GmbH & Co. KG

/s/ Authorized Signatory

The Global Life Science Ventures Fonds II GmbH & Co. KG

/s/ Authorized Signatory

The Global Life Science Ventures Fund II LP

/s/ Authorized Signatory

Gilde Europe Food & Agribusiness Fund B.V.

/s/ Authorized Signatory

Baytech Venture Capital GmbH & Co. KG

/s/ Authorized Signatory

Coöperatieve AAC LS U.A.

/s/ Authorized Signatory

KfW

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/s/ Authorized Signatory

Technologie Beteiligungsfonds II Bayern GmbH & Co. KG  
(BayernKapital)

/s/ Arne Skerra

Prof. Skerra Bet. GmbH

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/s/ Steffan Schlehuber  
Dr. Steffen Schlehuber

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/s/ Claus Schalper  
Claus Schalper

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/s/ Karsten Schürle  
Dr. Karsten Schürle

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/s/ Martin Pöhlchen  
MAPO Bet. GmbH

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/s/ Arne Skerra  
Prof. Dr. Arne Skerra

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/s/ Martin Pöhlchen  
Dr. Martin Pöhlchen

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**Table of Annexes to the Convertible Bridge Loan Agreement**

<b>Exhibit A</b>	List of Holders of Common Shares, of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B and of Indirect Shareholders
<b>Exhibit B</b>	Conversion Notice
<b>Exhibit C</b>	Arbitration Agreement

**Exhibit A:**

**List of Holders of Common Shares, of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B and of Indirect Shareholders**

<u>Name</u>	<u>Participation as</u>
Prof. Skerra Beteiligungsgesellschaft mbH, Max-Lehner-Straße 19, 85354 Freising, Germany	Holder of Common Shares
Dr. Steffen Schlehuber, In den Kappesgärten 22, 67152 Ruppertsberg, Germany	Holder of Common Shares
Claus Schalper, Ismaningerstraße 62, 81675 Munich, Germany	Holder of Common Shares
Dr. Karsten Schürtle, Palmstraße 7, 60316 Frankfurt a.M., Germany	Holder of Common Shares
MAPO Beteiligungsgesellschaft mbH, Hubertusweg 34, 85540 Haar, Germany	Holder of Common Shares
BioM Aktiengesellschaft Munich, BioTech Development, Am Klopferspitz 19, 82152 Planegg, Germany	Holder of Common Shares Holder of Preferred Shares Series B
BioM Venture Capital GmbH & Fonds KG, Am Klopferspitz 19, 82152 Planegg, Germany	Holder of Common Shares Holder of Preferred Shares Series A Holder of Preferred Shares Series A-1 Holder of Preferred Shares Series B
Transconnect Corporate Finance Beratungs GmbH, Prinzregentenstraße 56, 80538 Munich, Germany	Holder of Common Shares Holder of Preferred Shares Series A Holder of Preferred Shares Series A-1 Holder of Preferred Shares Series B

The Global Life Science Ventures Fonds II GmbH & Co. KG, Von-der-Tann-Straße 3, 80539 Munich, Germany

Holder of Preferred Shares  
Series A

Holder of Preferred Shares  
Series A-1

Holder of Preferred Shares  
Series B

The Global Life Science Ventures Fund II Limited Partnership, PO Box 431, Alexander House,13-15 Victoria Road, St. Peter Port, Guernsey,G41 3ZD

Holder of Preferred Shares  
Series A

Holder of Preferred Shares  
Series A-1

Holder of Preferred Shares  
Series B

Gilde Europe Food & Agribusiness Fund B.V., Newtonlaan 91, 3584 BP Utrecht, The Netherlands

Holder of Preferred Shares  
Series A

Holder of Preferred Shares  
Series A-1

Holder of Preferred Shares  
Series B

BayTech Venture Capital GmbH & Co. KG, Theatinerstraße 7, 80353 Munich, Germany

Holder of Preferred Shares  
Series A

Holder of Preferred Shares  
Series A-1

Holder of Preferred Shares  
Series B

Coöperatieve AAC LS U.A., Gooimeer 2-35, P.O. Box 5187, 1410 AD Naarden, The Netherlands

Holder of Preferred Shares  
Series A

Holder of Preferred Shares  
Series A-1

Holder of Preferred Shares  
Series B

KfW, Ludwig-Erhard-Platz 1-3, 53179 Bonn

Holder of Preferred Shares  
Series A-1

Holder of Preferred Shares  
Series B

Technologie Beteiligungsfonds Bayern II GmbH & Co. KG, Altstadt 72, 84028 Landshut, (BayernKapital)

Holder of Preferred Shares  
Series A-1

Holder of Preferred Shares  
Series B

Orbimed Private Investments III, LP, 601 Lexington Ave, Floor 54, New York, NY 10022, USA

Holder of Preferred Shares  
Series B

Orbimed Associates III, LLC, 601 Lexington Ave, Floor 54, New York, NY 10022, USA

Holder of Preferred Shares  
Series B

Novo Nordisk A/S, Novo Allé, 2880 Bagsværd, Denmark

Holder of Preferred Shares  
Series B

Prof. Dr. Arne Skerra, Max-Lehner-Straße 19, 85354 Freising, Germany

Indirect Shareholder

Dr. Martin Pöhlchen, Hubertusweg 34, 85540 Haar, Germany

Indirect Shareholder



**Conversion Notice**

To:

Pieris AG  
Management Board  
Lise-Meitner-Str. 30  
85354 Freising  
Germany

We, the Investors as set forth in Sec. 1 (*Convertible Bridge Loan*) para. (2) of the Convertible Bridge Loan Agreement dated April, 2014 (the “**Convertible Bridge Loan Agreement**”), have granted Pieris AG, a company registered in the commercial register of the local court of Munich under no. HRB 133223 (the “**Company**”), a convertible bridge loan in the total amount of up to EUR 2,000,000 (the “**Convertible Bridge Loan**”), in accordance with the Convertible Bridge Loan Agreement.

In relation to the Convertible Bridge Loan, the amount of

EUR \_\_\_\_\_

has not been repaid by the Company to the Investors (the “**Remaining Loan Amount**”) as of the date of this Conversion Notice.

Based on the foregoing, we hereby request conversion

- of the whole Remaining Loan Amount
- of EUR \_\_\_\_\_ of the Remaining Loan Amount

pursuant to

- Sec. 9 (*Conversion Request*) para. (1) of the Convertible Bridge Loan Agreement (**after the Maturity Date**) into series B shares of the Company.
- Sec. 9 (*Conversion Request*) para. (2) of the Convertible Bridge Loan Agreement (occurrence of an Exit Event prior to the Maturity Date) into series B shares of the Company.
- Sec. 9 (*Conversion Request*) para. (3) of the Convertible Bridge Loan Agreement (**closing of a Qualified Financing**) into Qualified Financing Shares.

Conversion shall be effected in accordance with the provisions of the Convertible Bridge Loan Agreement at the price and on the terms set out in the Convertible Bridge Loan Agreement.

All terms used herein shall have the meaning as given to them in the Convertible Bridge Loan Agreement.

With regard to the signing of this Conversion Notice, signatures transmitted by way of facsimile communication shall suffice and be binding.

Freising, \_\_\_\_\_, 20\_\_\_\_

\_\_\_\_\_  
Orbimed Private Investments III, LP

\_\_\_\_\_  
Orbimed Associates III, LLC

\_\_\_\_\_  
Novo Nordisk A/S

\_\_\_\_\_  
Transconnect Corporate Finance  
Beratungs GmbH

\_\_\_\_\_  
BioM AG

\_\_\_\_\_  
BioM Venture Capital GmbH & Co. KG

\_\_\_\_\_  
The Global Life Science Ventures Fonds II  
GmbH & Co. KG

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The Global Life Science Ventures Fund II LP

\_\_\_\_\_  
Gilde Europe Food & Agribusiness Fund B.V.

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Baytech Venture Capital GmbH & Co. KG

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Coöperatieve AAC LS U.A.

\_\_\_\_\_  
KfW

\_\_\_\_\_  
Technologie Beteiligungsfonds II Bayern  
GmbH & Co. KG (BayernKapital)

**Arbitration Agreement**

1. With regard to all disputes arising out of this Convertible Bridge Loan Agreement of Pieris AG, Lise-Meitner-Strasse 30, 85354 Freising, the Parties agree on the following arbitration clause:
2. Place of venue and performance shall, to the extent legally permissible, be Munich. All disputes arising in connection with the Convertible Bridge Loan and the Consolidated Shareholders` Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law. This shall include disputes regarding the validity, the performance or the termination of the Convertible Bridge Loan and the Consolidated Shareholders` Agreement in whole or in part including possible amendments of the same. The place of arbitration is Munich. The arbitral tribunal consists of three arbitrators. The language of the arbitral proceedings is English.

Freising, April 2014

\_\_\_\_\_  
/s/ Stephen S. Yoder  
Pieris AG  
signed for and on behalf of the Management Board

\_\_\_\_\_  
/s/ Authorized Signatory  
Orbimed Private Investments III, LP

\_\_\_\_\_  
/s/ Authorized Signatory  
Novo Nordisk A/S

\_\_\_\_\_  
/s/ Authorized Signatory  
BioM AG

\_\_\_\_\_  
/s/ Hans Küpper  
Pieris AG  
signed for and on behalf of the Supervisory Board

\_\_\_\_\_  
/s/ Authorized Signatory  
Orbimed Associates III, LLC

\_\_\_\_\_  
/s/ Authorized Signatory  
Transconnect Corporate Finance  
Beratungs GmbH

\_\_\_\_\_  
/s/ Authorized Signatory  
BioM Venture Capital GmbH & Co. KG

/s/ Authorized Signatory  
The Global Life Science Ventures Fonds II  
GmbH & Co. KG

/s/ Authorized Signatory  
Gilde Europe Food & Agribusiness Fund B.V.

/s/ Authorized Signatory  
Coöperatieve AAC LS U.A.

/s/ Authorized Signatory  
Technologie Beteiligungsfonds II Bayern  
GmbH & Co. KG (BayernKapital)

/s/ Steffen Schlehuber  
Dr. Steffen Schlehuber

/s/ Karsten Schürle  
Dr. Karsten Schürle

/s/ Arne Skerra  
Prof. Dr. Arne Skerra

/s/ Authorized Signatory  
The Global Life Science Ventures Fund II LP

/s/ Authorized Signatory  
Baytech Venture Capital GmbH & Co. KG

/s/ Authorized Signatory  
KfW

/s/ Arne Skerra  
Prof. Skerra Bet. GmbH

/s/ Claus Schalper  
Claus Schalper

/s/ Martin Pöhlchen  
MAPO Bet. GmbH

/s/ Martin Pöhlchen  
Dr. Martin Pöhlchen

**Consolidated Shareholders' Agreement 2014**  
**Pieris AG, Freising, Germany**  
**dated October 10, 2014**

by and among

1. Pieris AG, whose principal place of business is at Lise-Meitner-Straße 30, 85354 Freising, Germany (the “**Company**”), represented by its Management Board, consisting of Stephen Yoder, and its Supervisory Board, being represented by its chairman, Dr. Hans A. Küpper;
2. The persons listed in **Exhibit A** who are the holders of common shares of the Company (“**Holders of Common Shares**”);
3. The persons listed in **Exhibit A** who are the holders of preferred shares series A of the Company (“**Holders of Preferred Shares Series A**”);
4. The persons listed in **Exhibit A** who are the holders of preferred shares series A-1 of the Company (“**Holders of Preferred Shares Series A-1**”);
5. The persons listed in **Exhibit A** who are the holders of preferred shares series B of the Company (“**Holders of Preferred Shares Series B**”);
6. The persons listed in **Exhibit A** who are the (future) holders of preferred shares series C of the Company (“**Holders of Preferred Shares Series C**”);

and

7. The persons listed in **Exhibit A** who are indirect shareholders of the Company (“**Indirect Shareholders**”).

The Holders of Common Shares, of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B, and of Preferred Shares Series C shall jointly be referred to as the “**Shareholders**”. The Holders of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B and of Preferred Shares Series C shall jointly be referred to as the “**Preferred Shareholders**”. The Shareholders, the Indirect Shareholders and the Company shall jointly be referred to as the “**Parties**”.

## Preamble

- A. The Shareholders are the current and future shareholders of the Company, which is registered in the commercial register of the local court of Munich (the “**Commercial Register**”) under no. HRB 133 223. The object of the Company is the biotechnological research and development and the distribution of applications of the research results.
- B. The Company seeks further growth financing as a series C round of financing in the total amount of approx. EUR 5,000,000 in new money (equaling approx. USD 6,660,000; not taking into account the Convertible Loans). Therefore, the Shareholders and the Company have entered into a separate investment agreement of even date (the “**Investment Agreement**”), of which this consolidated shareholders’ agreement 2014 (“**this Agreement**” or “**CSA 2014**”) shall form an integral part. Capitalized terms used but not defined herein shall have the same meaning as given to them in the Investment Agreement.
- C. It is the common intention of the Shareholders that the shares of the Company are listed on a stock exchange or the Company is sold to a third party in due course.

NOW, THEREFORE, in order to lay down the principles of the legal relationship between all Shareholders as current and future shareholders of the Company, the Parties hereby enter into the following CSA 2014:

### Sec. 1

#### Anti-Dilution Protection / Waiver of Subscription Rights

1. If after the increase of the share capital of the Company pursuant to Sec. 1 of the Investment Agreement, a further increase or further increases of the share capital of the Company take(s) place including, but not limited to, an increase of the share capital utilizing authorized capital or conditional capital (“**Dilutive Issue**”) at a total price per share (issue price plus any contributions to the capital reserves of the Company pursuant to § 272 para. 2 HGB) that is less than EUR 6.04 (equaling USD 8.09) (“**Original Issue Price Series C**”), each Holder of Preferred Shares Series C, acting individually, is irrevocably entitled (but not obligated) to a weighted-average anti-dilution protection by subscribing and being issued that number of additional Preferred Shares Series C at par value without premium or other contributions into the capital reserves of the Company as if such Holder of Preferred Shares Series C had subscribed his Preferred Shares Series C according to the following formula:

**“Revised Subscription Price Series C” =**

*(Outstanding shares before the Dilutive Issue x Original Issue Price Series C) + amount raised in the Dilutive Issue*

---

*Outstanding shares after the Dilutive Issue*  
*(without Anti-Dilution Shares Series C and excluding any options for, or other securities convertible into, shares in the Company)*

The difference between the Original Issue Price Series C and the Revised Subscription Price Series C calculated accordingly shall be multiplied by the total number of Preferred Shares Series C held by the concerned Holder of Preferred Shares Series C and divided by the result of the Revised Subscription Price Series C minus the portion of the Company's share capital attributable to one share (*anteiliger Betrag des Grundkapitals*) ("**Par Value**").

The result then corresponds to the total number of Preferred Shares Series C which the Holders of Preferred Shares Series C may subscribe at Par Value without premium or other contributions into the capital reserves of the Company by virtue of this anti-dilution protection ("**Anti-Dilution Shares Series C**"), whereby the Anti-Dilution Shares Series C shall be allocated to the Holders of Preferred Shares Series C on a pro rata basis with regard to their shareholding of Preferred Shares Series C before the Dilutive Issue.

*Example:*

*Revised Subscription Price Series C =*

*(Outstanding shares before the Dilutive Issue x EUR 6.04) + amount raised in the Dilutive Issue*

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*Outstanding shares after the Dilutive Issue*

*(without Anti-Dilution Shares Series C and excluding any options for, or other securities convertible into, shares in the Company)*

*The difference between EUR 6.04 and the Revised Subscription Price Series C calculated accordingly shall be multiplied by the total number of Preferred Shares Series C and divided by the result of the Revised Subscription Price Series C minus the Par Value of EUR 1.00 which equals the total number of Anti-Dilution Shares Series C which the Holders of Preferred Shares Series C may subscribe at EUR 1.00 and pro rata according to their shareholding of Preferred Shares Series C.*

With respect to the Preferred Shares Series C resulting from the conversion of the Convertible Loans in accordance with the provisions of the Investment Agreement (the “**Conversion Shares**”), the above provisions shall apply separately and *mutatis mutandis*; provided, however, that the Original Issue Price Series C shall be reduced to reflect the discount as provided in the Loan Agreements applied when calculating the number of Conversion Shares, and the Revised Subscription Price Series C shall likewise be calculated pursuant to the above formula but including such reduced Original Issue Price Series C.

2. The Holders of Preferred Shares Series C shall receive the Anti-Dilution Shares Series C in conjunction with the capital increase which led to the Dilutive Issue. For this purpose all Shareholders shall be obliged to pass the legally required shareholders’ resolutions and to waive their statutory subscription rights to the extent necessary.
3. The Original Issue Price Series C shall be subject to adjustments for stock splits, reverse stock splits, stock dividends and the like.
4. In the event of more than one Dilutive Issue, the rights under this Sec. 1 may be exercised with respect to each Dilutive Issue. In case of the granting of Anti-Dilution Shares Series C the Original Issue Price Series C shall be adjusted accordingly.
5. Para. 1 and 2 shall not apply with regard to (i) the securities issued upon conversion of the Preferred Shares; (ii) securities issued to board members and employees of the Company or of affiliates (*verbundene Unternehmen*) within the meaning of § 15 German Stock Corporation Act (*AktG*) pursuant to the terms and conditions approved by the Supervisory Board, including the member nominated pursuant to Sec. 16 para. 2 a below; (iii) securities issued as a dividend or distribution with respect to the Preferred Shares; (iv) securities issued in connection with equipment leasing, real estate, bank financing or similar transactions approved by the Supervisory Board, including the member nominated pursuant to Sec. 16 para. 2 a below; (v) securities issued in an IPO as defined in Sec. 10 para. 6 below; (vi) securities issued pursuant to the acquisition by the Company of another corporation or entity by consolidation, corporate reorganizations, or merger, or purchase of all or substantially all of the assets of such corporation or entity as approved by the Supervisory Board, including the member



nominated pursuant to Sec. 16 para. 2 a below; (vii) securities issued by reason of a dividend or other distribution on shares of Common Stock; (viii) any securities issued in the course of a Compensatory Share Capital Increase pursuant to Sec. 4 para. 3 of the Investment Agreement, and (ix) any securities issued or issuable upon conversion, exercise or exchange of any other securities that are covered by (i) - (viii).

6. All shares in the Company shall be subject to adjustments for stock splits, reverse stock splits, stock dividends and the like.

**Sec. 2  
Notification**

1. A Shareholder intending to transfer its present or future shareholding in the Company, or a portion thereof, with or without consideration (“**Offeror**”) shall notify the chairman of the Company’s Supervisory Board of such intent in writing.
2. Such notification shall contain the following details to be provided by the Offeror:
  - a. Name / firm and address / registered office of the Offeror;
  - b. Name / firm and address / registered office of the potential acquirer;
  - c. Purchase price or other consideration, as the case may be, for the intended transfer;
  - d. Due date for payment of the purchase price or other consideration, as the case may be;
  - e. Amount, type and series of shares intended to be transferred;
  - f. Representations and warranties given or declared by the Offeror, as the case may be.

**Sec. 3  
Offer to the Holders of Rights of First Refusal**

1. An Offeror intending to transfer its current or future shareholding in the Company for consideration (sale/exchange/contribution to the capital in return for shareholder rights, etc.) shall, along with a notification pursuant to Sec. 2 hereof, offer such shares for sale to all other Shareholders.

2. The offer is to be submitted to the Company, addressed to the chairman of the Supervisory Board. The notice shall constitute an offer vis-à-vis the Shareholders other than the Offeror and other than Shareholders being subject to Sec. 4 para. 2 sentence 2 of this Agreement (the “**First Right Holders**”). The terms of the offer are to fully correspond with the terms of the offer for sale made to the potential acquirer. In the event that consideration other than in cash is provided for, the Offeror shall state the equivalent monetary value of such consideration for the purposes of submitting the offer to the First Right Holders. The value of non-monetary consideration shall be determined in accordance with the respective consideration’s fair market value. In the event of doubt as to the accuracy of such valuation, the Supervisory Board, by way of a 75 % majority resolution, shall be obliged to instruct an independent expert (e.g. an auditor) to submit a report and make a determination on the fair market value of such consideration. The costs incurred as a result of instructing such expert are to be borne by the Offeror. The results of such opinion shall be conclusive with respect to the fair market value of consideration payable for the offer for sale submitted.

#### **Sec. 4**

##### **Exercise of Rights of First Refusal**

1. Upon receipt of the notification of the intent to transfer shares pursuant to Sec. 2, the Company, through the chairman of its Supervisory Board, shall immediately notify all other Shareholders of the contents of the said notification and the offer contained therein and shall forward such offer to the other Shareholders in accordance with Sec. 3. The chairman of the Supervisory Board shall notify the other Shareholders of such offer by way of registered mail.
2. The First Right Holders are entitled to accept the offer submitted by the Offeror pursuant to Sec. 3 in accordance with the ratio their respective shareholdings in the Company bear to each other. As long as the Offeror has not transferred the shares in respect of which it made a notification of offer pursuant to Sec. 2, and the period of two months pursuant to Sec. 7 para. 2 has not expired, such Offeror shall not be entitled to a right of first refusal if another Shareholder submits a notification of offer pursuant to Sec. 2 prior to the expiry of the period of two months pursuant to Sec. 7 para. 2 applicable in respect of the Offeror.

3. The First Right Holders are entitled to declare their acceptance of the offer pursuant to Sec. 3 within one month after receipt of the notification and submission of the offer pursuant to para. 1 in writing vis-à-vis the chairman of the Supervisory Board or to exercise their tag-along right, if any, pursuant to Sec. 8 by way of written declaration vis-à-vis the chairman of the Supervisory Board within the period of notice stated. In this declaration vis-à-vis the chairman, the First Right Holders can also declare that they accept the offer in the first line and exercise their tag-along right, if their acceptance is regarded as ineffective pursuant to Sec. 7 para. 2. The date the respective notice is received by the chairman of the Supervisory Board shall be conclusive.
4. Upon the notice of acceptance pursuant to para. 3 being received by the chairman of the Supervisory Board, a sale and purchase agreement between the Offeror and the respective accepting First Right Holders shall be deemed constituted and concluded. Non-divisible fractions of shares shall be allocated to the First Right Holder first to accept the offer by way of notice to the chairman of the Company's Supervisory Board. The date the respective notice of acceptance is received by the chairman of the Supervisory Board shall be conclusive.

#### **Sec. 5**

##### **Exercise of a Further Right of First Refusal**

1. In the event that not all First Right Holders exercise their right pursuant to Sec. 4, the following shall apply: The First Right Holders who accepted the offer submitted to them shall also be entitled to accept in addition the offer that was first made to the First Right Holders who decided not to exercise their rights of first refusal and therefore did not accept the offer addressed to them. Those First Right Holders, who, upon first notification, exercised their right of first refusal in the first round, are entitled to exercise the rights of first refusal which were not exercised pursuant to Sec. 4 pro rata to their respective shareholding in the Company, including any shares acquired pursuant to Sec. 4.
2. The chairman of the Supervisory Board shall advise the First Right Holders, who, pursuant to para. 1 are entitled to acquire further shares in the Company by furnishing an additional acceptance notice, within one week after expiry of the period of notice set forth in Sec. 4 para. 3, as to the number of additional shares they shall be entitled to acquire. The chairman

of the Supervisory Board shall effect such notification by way of registered mail. Such notification shall constitute a valid offer to the First Right Holders concerned with respect to the sale of the relevant number of shares stated subject to the terms set forth in Sec. 2 para. 2.

3. First Right Holders seeking to exercise additional rights of first refusal are to declare their acceptance of such additional offer with respect to the number of shares offered in accordance with para. 2 by way of written notice to the chairman of the Supervisory Board within two weeks as of the date on which they receive a notification pursuant to para. 2.
4. Upon the notice of acceptance pursuant to para. 3 being received by the chairman of the Supervisory Board, a sale and purchase agreement between the Offeror and the respective First Right Holders shall be deemed constituted and concluded. Non-divisible fractions of shares shall be allocated to the First Right Holder first to accept the offer by way of notice to the chairman of the Company's Supervisory Board. The date the respective notice of acceptance is received by the chairman of the Supervisory Board shall be conclusive.

#### **Sec. 6**

#### **Comprehensive Exercise of Rights of First Refusal**

Each of the rights of first refusal pursuant to Sec. 4 and 5 may only be exercised or waived by a Shareholder in whole (not in part), i.e. to the total extent rights of first refusal exist and not with regard to a part of the shares offered to, and only with respect to all shares held by the respective Shareholder.

#### **Sec. 7**

#### **Non-Exercise of Rights of First Refusal**

1. After expiry of the period of notice pursuant to Sec. 4 para. 3 or after expiry of the period of notice pursuant to Sec. 5 para. 3, respectively, the chairman of the Supervisory Board shall notify the Shareholders about the extent to which the rights of first refusal have been exercised. Such notification is to be effected by way of registered mail.
2. In the event that Shareholders chose not to or fail to exercise their rights of first refusal for all of the shares offered, none of the sales pursuant to Sec. 4

para. 4 and Sec. 5 para. 4 will be effected and the Offeror shall within a period of two months after receipt of the Supervisory Board's notification pursuant to para. 1 hereof be entitled to sell the shares offered to the acquirer named in the notification pursuant to Sec. 2 and with respect to which rights of first refusal have not been exercised, thereby duly observing the provisions on the restraint on alienation (Sec. 13 below) as well as Shareholders' tag-along rights pursuant to Sec. 8. Such sale may, however, not be effected on terms which are more beneficial to the acquirer than the terms set forth in the notification pursuant to Sec. 2. The respective agreement entered into between the Offeror and the respective acquirer is to be submitted immediately upon conclusion to the chairman of the Supervisory Board for his inspection.

**Sec. 8**  
**Tag-Along Rights**

1. Each Shareholder is entitled to demand from the Offeror, who pursuant to Sec. 7 para. 2 is entitled to sell shares to the acquirer named in the notification of offer pursuant to Sec. 2, that such Offeror co-sells his shares in accordance with the terms and conditions set forth in the said notification of offer pursuant to Sec. 2, to the extent desired by the respective Shareholder, to the acquirer named in the said notification. Such tag-along right is to be exercised by way of written notice, such notice setting forth the number and series of shares to be co-sold. The said notice is to be submitted to the chairman of the Company's Supervisory Board at the latest one month after receipt of the notification of the offer pursuant to Sec. 4 para. 1. Upon receipt of such notice, the Company shall, through the chairman of its Supervisory Board, inform the Offeror immediately in respect of the exercise of the tag-along rights and the number and series of shares which are to be co-sold. The said notice is to be effected by way of registered mail.
2. In the event that the acquirer named in the notification pursuant to Sec. 2 is not willing to acquire the shares from the Offeror and the shares, with respect to which tag-along rights have been exercised, save for para. 4 hereinafter the Offeror shall be obliged to sell upon the respective request by the Preferred Shareholders who exercised their tag-along rights his and such shares, with respect to which tag-along rights have been exercised, in proportion to the shareholding of the Offeror (with the shares, which are to be acquired by First Right Holders, not to be deducted) and the respective Preferred Shareholder who has exercised his tag-along right (taking into account his entire shareholding) in accordance with the following provisions.

3. The Offeror shall notify the chairman of the Supervisory Board prior to any sale and after receipt of the notice of the chairman of the Supervisory Board that tag-along rights have been exercised of the number of shares the acquirer named in the notification pursuant to Sec. 2 is willing to purchase. The Company, by the chairman of its Supervisory Board, shall immediately inform the Preferred Shareholders who want to exercise their tag-along rights accordingly. In the event the acquirer is not willing to acquire all shares with respect to which tag-along rights have been exercised the Shareholders who want their shares being co-sold have to declare vis-à-vis the chairman of the Supervisory Board within three days after receipt of the information by the chairman of the Supervisory Board whether they require their shares to be sold on a pro-rata basis pursuant to para. 2 or the entire sale pursuant to para. 4. Such request must be made within three days by the chairman of the Supervisory Board vis-à-vis the Offeror who shall be bound by such request.
4. In the event that the acquirer named in the notification pursuant to Sec. 2 is a competitor of the Company or an undertaking associated with a competitor of the Company within the meaning of § 15 AktG the sale to the acquirer shall only be allowed if the acquirer purchases all shares of the Preferred Shareholders who have exercised their tag-along rights if the respective Preferred Shareholders request so. Sentence 1 shall also apply if the acquirer holds more than 50% of the share capital of the Company after such sale. For the purpose of sentence 2 any shares held by an undertaking associated with the acquirer within the meaning of § 15 AktG shall be deemed to be shares held by the acquirer. In the event that the acquirer is not willing to acquire all shares which are required to be co-sold, the Offeror shall not be permitted to sell its shares.

**Sec. 9**  
**Drag-Along Rights**

1. On the basis of a resolution at any time and from time to time by the holders of a simple majority of the votes pertaining to the Preferred Shares Series C and the holders of a simple majority of the votes pertaining to all Preferred Shares in the Company (collectively “**Investor Majority**”), all Shareholders shall agree to sell and transfer their shares to a third party acquirer (not affiliated to any of the Shareholders) who is willing to acquire 50 % or more

of all shares in the Company pro rata to their shareholding in the Company and, subject to Sec. 10 below, under equal terms and conditions with due regard being given to the form of the securities being sold by each of the Parties (the “**Sale Transaction**”). A share swap, contribution, consolidation or merger of the Company with or into any other corporation or other entity or person, or any other corporate reorganization, after which the Shareholders immediately prior to such share swap, contribution, consolidation, merger or reorganization, will own 50 % or less of the voting power of the receiving or surviving legal entity immediately after such share swap, contribution, consolidation, merger or reorganization, or any other transaction or series of related transactions by which 50 % or more of the Company’s voting power is transferred shall also be deemed a Sale Transaction; the same shall apply to the disposal (including by way of exclusive irrevocable licensing) of 50 % or more of the tangible and intangible assets of the Company (calculated at fair market values and irrespective of whether such assets may be shown in the Company’s financial statements under applicable generally accepted accounting principles).

2. By way of a resolution of an Investor Majority, a person shall be appointed to negotiate the terms and conditions of the Sale Transaction with the third party acquirer (“**Lead Negotiator**”). The Lead Negotiator shall ensure that (i) the Shareholders’ interest in achieving a high price as consideration for the Sale Transaction will be duly considered and (ii) the Shareholders only give representations and warranties that are typical for the respective Sale Transaction and in relation to the respective class of shares sold thereunder. The Lead Negotiator shall not have the authority to bind the Shareholders or the Company. The negotiations of the Lead Negotiator shall at any time be subject to review and approval by an Investor Majority.
3. All Shareholders shall take all actions necessary and desirable in connection with the consummation of a Sale Transaction, including to (i) participate in the Sale Transaction by entering into the contract with the acquirer at the terms and conditions agreed upon by an Investor Majority, (ii) approve the terms of any such Sale Transaction and such matters ancillary thereto as may be necessary or appropriate in the judgment of an Investor Majority to effect such Sale Transaction, (iii) waive any appraisal or dissenters rights that such Shareholder would have with respect to such Sale Transaction, and (iv) not block or prevent the consummation of a Sale Transaction.
4. Secs. 2 to 8 and 13 of this Agreement shall not apply to any transaction under this Sec. 9. This Sec. 9 shall take precedence over Sec. 14 below and Sec. 23 para. 3 of the Articles of Association of the Company.

Sec. 10

**Liquidation Preference / Sale Proceeds / Dividends / Conversion**

1. Any event of
  - a. a liquidation, dissolution or winding up of the Company; or
  - b. a share swap, contribution, merger, consolidation, reorganization or similar transaction or series of related transactions of the Company with or into another entity which results in the voting securities of the Company outstanding immediately prior thereto representing immediately thereafter 50 % or less of the combined voting power of the voting securities of the receiving or surviving legal entity outstanding immediately after such share swap, contribution, merger, consolidation, reorganization or similar transaction but excluding any transaction or series of transactions principally for bona fide equity financing purposes in which the Company issues new securities primarily for cash or the cancellation or conversion of indebtedness of the Company or a combination thereof for the purpose of financing the operations and business of the Company; or
  - c. a sale, lease or other conveyance (including by way of exclusive irrevocable licensing) of 50 % or more of the tangible and intangible assets of the Company (calculated at fair market values and irrespective of whether such assets may be shown in the Company's financial statements under applicable generally accepted accounting principles); or
  - d. a sale of shares in the Company, in a single transaction or series of related transactions, representing at least 50 % of the voting power of the voting securities of the Company

shall be deemed an "**Exit Event**", unless an Investor Majority with the approval of OrbiMed Private Investments III, LP and OrbiMed Associates III, LP (jointly "**OrbiMed**") waives such qualification as an Exit Event (i.e. the proceeds will be distributed among the Shareholders on a pro rata basis). In case of the transformations of legal form (*formwechselnde Umwandlungen*) pursuant to the German Act on the Transformation of Companies



(*Umwandlungsgesetz, UmwG*), no Exit Event shall be deemed; provided, however, that the rights of the Shareholders under this Agreement, the Investment Agreement and the Articles of Association shall continue to apply without any changes or amendments.

2. In case of an Exit Event, the proceeds net of transaction costs and after repayment of the silent partnerships which become due upon the Exit Event including remuneration due thereon (the “**Proceeds**”) shall be distributed among the Shareholders as follows:
- a. The Proceeds are first to be paid to the Holders of Preferred Shares Series C up to an amount per each Preferred Share Series C held by them, respectively, which corresponds to 2.5 times the Original Issue Price Series C (as adjusted pursuant to Sec. 1 para. 3 and 4) plus an 8 % annual cumulative interest thereon. Should the Proceeds be less than the amount required in accordance with the foregoing, the whole Proceeds shall be distributed among the Holders of Preferred Shares Series C in the ratios of their relevant shareholding in Preferred Shares Series C.
  - b. After the payments pursuant to lit. a, up to 3.5 % of the remaining Proceeds shall be paid to the Beneficiaries being entitled under the Carve Out Plan (each as defined in Sec. 22 below).
  - c. After the payments pursuant to lit. a and b, the remaining Proceeds shall be paid to the Holders of Preferred Shares Series B up to an amount which corresponds to one time their respective total contributions (total issue price plus any contributions to the capital reserves of the Company pursuant to § 272 para. 2 HGB; the “**Total Contributions**”) on their respective Preferred Shares Series B plus an 8 % annual cumulative interest thereon. Sentence 2 of lit. a shall apply accordingly among the Holders of Preferred Shares Series B in respect of their relevant shareholding in Preferred Shares Series B.
  - d. After the payments pursuant to lit. a to c, the remaining Proceeds shall be paid to the Holders of Preferred Shares Series A-1 in respect of the Preferred Shares Series A-1 registered with the commercial register on September 14, 2007 (2<sup>nd</sup> tranche) up to an amount which corresponds to two times their respective Total Contributions on their respective Preferred Shares Series A-1 registered with the commercial register on September 14, 2007 (2<sup>nd</sup> tranche) (i.e. EUR 74.00 per such Preferred Share Series A-1). Sentence 2 of lit. a shall apply accordingly among the Holders of Preferred Shares Series A-1

- in respect of their relevant shareholding in Preferred Shares Series A-1 registered with the commercial register on September 14, 2007 (2nd tranche).
- e. After the payments pursuant to lit. a to d, the remaining Proceeds shall be paid to the Holders of Preferred Shares Series A-1 in respect of the Preferred Shares Series A-1 registered with the commercial register on December 14, 2006 (1<sup>st</sup> tranche) up to an amount which corresponds to one time their respective Total Contributions on their respective Preferred Shares Series A-1 registered with the commercial register on December 14, 2006 (1<sup>st</sup> tranche). Sentence 2 of lit. a shall apply accordingly among the Holders of Preferred Shares Series A-1 in respect of their relevant shareholding in Preferred Shares Series A-1 registered with the commercial register on December 14, 2006 (1<sup>st</sup> tranche).
  - f. After the payments pursuant to lit. a to e, the remaining Proceeds shall be paid to the Holders of Preferred Shares Series A up to an amount which corresponds to one time their respective Total Contributions on their respective Preferred Shares Series A and, additionally, to BioM Aktiengesellschaft Munich BioTech Development up to an amount of EUR 231,373, to TransConnect Unternehmensberatungs- und Beteiligungs AG up to an amount of EUR 231,373 as well as to MAPO Beteiligungsgesellschaft mbH up to an amount of EUR 120,251 (it being understood that the Total Contributions on the Preferred Shares Series A shall not include the contribution to the capital reserves of the Company by BioM Venture Capital GmbH & Co. Fonds KG and TransConnect Unternehmensberatungs- und Beteiligungs AG of the accumulated interest on their respective bridge loan, i.e. BioM Venture Capital GmbH & Co. Fonds KG's and TransConnect Unternehmensberatungs- und Beteiligungs AG's waiver of their claims to accumulated interest for the bridge loan to the Company's capital reserves shall not be regarded as investment entitling to a preference payment). Sentence 2 of lit. a shall apply accordingly among the Holders of Preferred Shares Series A.
  - g. The Proceeds remaining after the payments pursuant to lit. a to f (if any) shall be distributed amongst all Shareholders proportionate to their respective total shareholding in the Company.

3. In the event that the Proceeds of an Exit Event consist of shares listed on a stock exchange, the share price, as listed, at the time of the consideration effectively being paid shall be conclusive. In any other case, to the extent that the value of the shares received is material, such value shall, with binding effect on all Shareholders, be determined by the Company's auditor for the purpose of the respective application of para. 2.
4. In the event of any dividend or other distribution by the Company to its shareholders, the respective distributions shall be divided among the Shareholders in the same way as the Proceeds of an Exit Event in accordance with the liquidation and sale preference set forth in para. 2 above ("**Preferred Dividends**"). In a subsequent Exit Event, the liquidation and sales preferences set forth in para. 2 above shall be reduced by the amounts received as Preferred Dividend, respectively. Upon demand of an Investor Majority, the net proceeds of any payment resulting from a disposal of assets of the Company or resulting from a licensing, collaboration or partnering transaction entered into after the date of this Agreement (but excluding, for the avoidance of doubt, proceeds resulting from issuing shares of the Company and FTE payments), provided that such proceeds exceed USD 5,000,000, shall be distributed as a dividend to the shareholders of the Company and distributed as set forth in this para. 4 and Sec. 5b para. 3 of the Articles of Association of the Company.
5. Each Preferred Shareholder is entitled to demand from the other Shareholders at any time that the shares held by him be converted, whether individually or in total, into Common Shares at a ratio of 1:1. The Preferred Shareholders are obliged to co-operate in effecting the conversion of all Preferred Shares held by them into Common Shares at a ratio of 1:1 in the event of (i) the closing of a firmly committed underwritten public offering of shares in the Company or a holding company at a price per share to the public of at least five times the Original Issue Price Series C (as adjusted pursuant to Sec. 1 para. 3 and 4) and with net proceeds to the Company or the holding company of not less than EUR 20,000,000 ("**Qualified IPO**"), or (ii) a resolution of an Investor Majority with the approval of OrbiMed in favor of said conversion. The Preferred Shareholders shall be reinstated into their position prior to the conversion, if the Qualified IPO or the IPO does not occur within 90 days after the conversion.
6. In the event of a direct or indirect (via a holding company) listing of the Company and/or shares in the Company and/or the public offering of the Company's shares on a stock exchange in the European Union, Switzerland,

a transnational stock exchange, the New York Stock Exchange or NASDAQ (“**IPO**”), the Shareholders undertake to do or cause to be done everything necessary or appropriate, in particular, (i) in case of a direct IPO, by way of a transfer of shares in the Company held by them, respectively, without compensation to each other or, (ii) in case of an indirect IPO via a holding company, by way of an exchange between the shares in the Company held by them, respectively, and the common shares in the holding company (at different exchange ratios applying to shares of different classes of the Company), so that after such measures each Shareholder holds such participation in the share capital of the Company or the holding company that the value of the shares held by each Shareholder (according to the price per share sold to the public in the IPO) corresponds to the amount each Shareholder would be entitled to under para. 2 above in the event of a sale of 100 % of the shares of the Company at such price per share.

#### **Sec. 11**

##### **Unrestricted Transfer to Associated Undertakings**

1. Each Shareholder shall be entitled to transfer its shareholding in the Company wholly or partly to a limited liability company which is 100 % owned by such Shareholder, provided that the original Shareholder shall remain liable for the transferee’s performance of all of the original Shareholder’s obligations under this Agreement; Sec. 13 below shall apply accordingly.
2. Each of the Preferred Shareholders shall be entitled to transfer all or part of its shareholding in the Company to any entity or fund controlled or managed by, controlling or managing, or under the common control or management with, any such Preferred Shareholder. Further, each of the Preferred Shareholders shall be entitled to transfer its shareholding in the Company as part of a transfer of a portfolio of investments of a similar nature to a third party which is predominantly managed by the same group of individuals having been responsible for managing such Preferred Shareholder’s shareholding in the Company prior to the transfer. With regard to the shareholding of The Global Life Science Ventures fund(s), this unrestricted transfer shall especially apply to transactions between the funds The Global Life Science Ventures Fonds II GmbH & Co. KG and The Global Life Science Ventures Fund II LP.
3. Sec. 2 to 9 shall not apply to transfers pursuant to the preceding paras. 1 and 2.

**Sec. 12**  
**Succession**

1. If a Shareholder (including an Indirect Shareholder) dies, the rights and duties arising from or as a result of this Agreement shall be transferred to the heirs of such estate of such deceased Shareholder by way of succession.
2. In the event of the gift of shares in the Company by means of a legacy (*Vermächtnis*), the testator and the heirs shall make the transfer of such shares dependent upon the beneficiary of the legacy becoming party to this Agreement and the Investment Agreement; Sec. 13 below shall apply accordingly.
3. The preceding paras. 1 and/or 2 shall also apply if Prof. Skerra Beteiligungsgesellschaft mbH and/or MAPO Beteiligungsgesellschaft mbH are liquidated, merged or otherwise terminated. If they become insolvent, the Company's right to redeem the shares can be exercised at their calculated nominal value.

**Sec. 13**  
**Transfer of Shares by Way of Singular Succession**

1. Shares, whether for or without consideration, may only be transferred by way of singular succession (*Einzelrechtsnachfolge*) if the acquirer has become a party in writing to this Agreement and the Investment Agreement prior to or at the same time as the acquisition of the shares, with the rights and duties which correspond to those of its respective legal predecessor.
2. The Parties hereby already now declare their consent, and hereby already now offer, to such future shareholder of the Company to become a party to this Agreement and the Investment Agreement and to such transferring shareholder ceasing to be a party to this Agreement and the Investment Agreement, provided he transfers all of his shares, provided that such future shareholder acquires the shares in accordance with the provisions of this Agreement. Each of the Parties, except the Company, waives the requirement that they are notified of such accession to and leaving of this Agreement and the Investment Agreement pursuant to § 151 sentence 1 German Civil Code (*Verzicht auf den Zugang der Beitritts- und Austrittserklärung gemäß § 151 Satz 1 BGB*), which shall become effective upon receipt by the Company of a corresponding instrument duly executed in writing by the transferring and the future shareholder.
3. The foregoing shall not apply in respect of transfers in accordance with the terms and provisions set forth in Sec. 9 (Drag-Along Rights).

**Sec. 14**

**Veto Rights / Binding Voting Obligations / Liquidation**

1. Each of the Shareholders undertakes individually for himself vis-à-vis each other Shareholder, to resolve as part of a shareholders' meeting of the Company the following resolutions only after an internal vote amongst the Shareholders in which an Investor Majority has voted in favor of the passing of the resolution in the shareholders' meeting:
  - a. Amendment, alteration or change of the rights, preferences, or privileges of the Preferred Shareholders so as to adversely affect the Preferred Shares, provided that each Shareholder within each class is treated equally;
  - b. Any transformations of the Company (*Umwandlungen*) within the meaning of the German Act on Transformation of Companies (*Umwandlungsgesetz, UmwG*);
  - c. Disposition of 50 % or more of the assets of the Company;
  - d. Merger of the Company with another entity;
  - e. Liquidation of the Company;
  - f. Amendments to the Company's Articles of Association, including but not limited to an amendment to (i) authorize, create, incur any obligation to issue or issue any shares of any class or series of shares ranking on parity or senior to the Preferred Shares Series C with respect to voting rights, dividends, conversion, distributions upon liquidation of the Company or redemption rights; (ii) effect a liquidation of the Company or a corporate reorganization of the Company; (iii) issue shares of Common Shares or increase the authorized number of shares of Common Shares, except for the purposes of (A) issuing shares upon exercise of outstanding options to purchase Common Shares or warrants for the purchase of Common Shares; (B) issuing shares upon the conversion of Preferred Shares; or (C) issuing shares in connection with a stock split, stock dividend or other recapitalization; and (iv) increasing or decreasing the size of the Supervisory Board or change the procedures by which members of the Supervisory Board are elected or appointed;

- g. Any action concerning the increase or reduction of the Company's authorized share capital;
- h. Any authorization or issuance of any warrants or other debt securities giving a right to participate in the profits of the Company (*Genussscheine*), options or warrants;
- i. Any authorization in respect of the conclusion of corporate agreements within the meaning of §§ 291 *et. seq.* of the AktG;
- j. Any integration (*Eingliederung*) within the meaning of §§ 319 *et. seq.* of the AktG;
- k. Appointment of the Company's auditors;
- l. Approval of the Company's annual financial statements (*Jahresabschlüsse*) pursuant to § 173 of the AktG;
- m. Any actions regarding the purchasing or holding of the Company's shares within the meaning of §§ 71 *et. seq.* of the AktG;
- n. Any actions regarding the repurchase or redemption of the Company's shares;
- o. Any action regarding the declaration of dividends or the distribution of profits to shareholders.

Respecting the statutory independence of the Management Board and the Supervisory Board, the Shareholders shall endeavor to ensure that measures listed in lit. a. to o. above are undertaken at subsidiaries of the Company only after an internal vote amongst the Shareholders in accordance with the above provisions of this Sec. 14 para. 1, provided that such subsidiaries or their activities have a significant economic importance for the Company.

2. Each Shareholder shall vote his shares in respect of the matters set forth in para. 1 above in accordance with the decision of an Investor Majority and shall procure to take all measures required to not block or prevent such decision of the Investor Majority. The foregoing sentence applies, in particular, without limitation, to any votes in shareholders' meetings and any separate class votes (*Sonderbeschlüsse*), in each case in respect of the matters set forth in para. 1 above.

3. Each Preferred Share carries a number of votes equal to the number of Common Shares then issuable upon its conversion into Common Shares. Except as otherwise provided in para. 1 above or as otherwise required by law, the Preferred Shareholders shall vote as a single class with the holders of Common Shares and each other class or series of voting shares of the Company on all matters to be acted upon by the shareholders of the Company.
4. The Shareholders are obliged to resolve the Company's liquidation in the event that the Company has sold at least 50 % of its assets (calculated at fair market value) or insolvency or similar proceedings have been commenced in respect of assets of a company, in which a participation is held (*Beteiligungsunternehmen*) within the meaning of § 271 of the German Commercial Code (*HGB*) which comprises in total 50 % of all Company's assets (calculated at fair market value), or in the event that the foregoing are liquidated.

**Sec. 15**  
**Company's Approval**

1. In order to secure that the shares subject to the terms and provisions of this Agreement may only be transferred in accordance with such terms and provisions, the Company's shares' transferability is restricted (*vinkuliert*) pursuant to Sec. 7 of the Articles of Association.
2. The Company is obliged to grant its consent to the transfer of shares provided that the provisions of this Agreement pursuant to Sections 2 to 13 have been fully complied with. In the event that an Offeror has given a notification of offer pursuant to Sec. 2 and in the event that a Shareholder has exercised a right of first refusal, the consent may only be granted for a transfer of shares from the Offeror to the First Right Holders and, in the event of rights of first refusal not being exercised, only in respect of a transfer of shares to the acquirer named in the notification pursuant to Sec. 2 para. 2.

**Sec. 16**  
**Members of the Supervisory Board**

1. The Company's Supervisory Board shall consist of three members.



2. The Shareholders will exercise their voting rights in elections of members of the Supervisory Board as follows:
  - a. One member of the Supervisory Board shall be nominated by OrbiMed Private Investments III, LP;
  - b. One member of the Supervisory Board shall be jointly nominated by the Holders of Preferred Shares Series B, Holders of Preferred Shares Series A-1 and Holders of Preferred Shares Series A with a simple majority of the votes pertaining to the Preferred Shares Series B, Preferred Shares Series A-1 and Preferred Shares Series A;
  - c. The third member of the Supervisory Board shall be an independent industry expert jointly nominated by all Shareholders with a simple majority of the votes pertaining to all shares in the Company with OrbiMed Private Investments III, LP in the affirmative.
3. To the extent the right to nomination pursuant to para. 2 is not exercised, the concerned member(s) of the Supervisory Board shall be appointed by a majority vote of the shareholders' meeting (one share giving one vote).
4. The Shareholders will exercise their voting rights accordingly with respect to the dismissal of a member of the Supervisory Board who had been nominated by the respective Shareholders which is proposed by such respective Shareholders and with respect to the election of such person nominated by the respective Shareholders in the dismissed member's stead.
5. The Supervisory Board shall hold a meeting at least four times per year. It is the understanding of the Parties that members of the Supervisory Board should meet the Management Board two times per year in addition to the four formal Supervisory Board meetings for review and discussion of the further development of the Company's business.
6. Any necessary and reasonable out-of-pocket expenses incurred in the course of the members of the Company's Supervisory Board's performance of their duties, in particular travel expenses, shall be reimbursed to the respective members by the Company. In addition, the independent industry expert nominated pursuant to para. 2 lit. c. shall receive an appropriate remuneration for his / her services as a member of the Supervisory Board.
7. The Holders of Preferred Shares Series B, Holders of Preferred Shares Series A-1 and Holders of Preferred Shares Series A shall have the right to jointly nominate one non-voting observer to the meetings of the Supervisory Board with a simple majority of the votes pertaining to the Preferred Shares Series B, Preferred Shares Series A-1 and Preferred Shares Series A. In

addition, the Holders of Preferred Shares Series C shall have the right to jointly nominate one non-voting observer to the meetings of the Supervisory Board with a simple majority of the votes pertaining to the Preferred Shares Series C. The Company shall provide to such observers copies of all documents and information given to the members of the Supervisory Board in connection with such meetings. Such observers shall be bound by the same secrecy obligations as the members of the Supervisory Board.

**Sec. 17**  
**Public Offering**

1. On the basis of a resolution in favor of an IPO by an Investor Majority, each of the Preferred Shareholders shall have the right to demand from the Company and all Shareholders that an IPO be effected. In the event that such IPO requires restructuring measures to be taken in respect of the Company (e.g. the transfer of the Company's shares to a holding company against issue of such company's shares), the Shareholders shall be obliged, subject to the condition set forth in sentence 1 hereof, to grant their consent to such restructuring measures being taken and to submit all other required declarations (e.g. contributing, transferring, assigning and/or delivering their shares of the Company to said holding company in exchange and consideration for such company's shares), provided, however, that such share swap, exchange or contribution shall take into account the provisions of Sec. 10 para. 6 above and that, as a result of the foregoing, the Shareholders shall not suffer any unreasonable tax disadvantages or other material detriments unless the Shareholders are adequately compensated for such disadvantages or detriments.
2. Upon rightful demand by Preferred Shareholders, the Company shall initiate the proceedings for the IPO and shall bear all costs and expenses (including banks' commissions and fees) related thereto. The Company shall also bear the costs and expenses of the legal adviser retained by the Preferred Shareholders in relation to such IPO.
3. All Shareholders undertake, in the event of the Company's shares being listed in the course of an IPO, in accordance with the terms of this Sec. 17, to fully comply with conditions and restrictions applicable under relevant Blue Sky Laws or lock-ups demanded by investment or other banks.
4. All Shareholders furthermore undertake to comply with all regulations and take all actions required in order to procure and not to block or prevent a

listing of shares, including, but not limited to, submitting a declaration to the effect that such Shareholder shall not dispose of his shares during the lock-up period or transferring his shares to a depository account of Clearstream Banking Aktiengesellschaft or otherwise.

5. Six months after the effective date of an IPO, holders of Preferred Shares (also after conversion into Common Shares) (the “**Registrable Securities**”) shall have the following rights (all such rights, collectively, the “**Registration Rights**”):
- a. Holders of at least 51 % of the Registrable Securities may request that the Company files a registration statement covering the sale of Registrable Securities then outstanding resulting in net offering proceeds of at least EUR 10,000,000 (“**Demand Rights**”). Upon such request, the Company will prepare and file a registration statement and otherwise use its best efforts to cause such shares to be registered under the Securities Act of 1933, as amended, or other applicable laws governing the registration of such securities on a stock exchange in the European Union, Switzerland or a transnational stock exchange within 90 days of the request. The holders of Registrable Securities will be limited to three such demand rights and no demand may be sooner than 12 months from the prior demand.
  - b. The holders of Registrable Securities shall be entitled to “piggyback” Registration Rights on all registrations of the Company (“**Piggyback Rights**”) excluding any registration solely in connection with an employee benefit or stock ownership plan. The holders of Registrable Securities may be cut back completely on the Company’s IPO but may only be cut back to not less than 25 % of the total offering by the underwriters, and then only after all persons who do not hold Registration Rights are first cut back. For secondary registrations on behalf of holders of the Company’s securities (other than the holders of Registrable Securities pursuant to Demand Rights pursuant to lit. a.), holders who do not hold Registration Rights shall be cut back first, then holders of Registrable Securities who did not request such registration shall be cut back and then the holders requesting such registration. Cut backs at each level shall be made ratably among the applicable holders on the basis of the number of shares owned by each such holder.
  - c. From and after the first anniversary of the Company’s IPO, holders of Registrable Securities shall be entitled to registrations on Form S-3 (if

available to the Company) provided that the anticipated aggregate public offering price of all securities of the Company to be sold in such registered offering would exceed EUR 1,000,000 (“S-3 Rights”). The Company shall not be obligated to effect more than two such registrations in any 12-month period.

- d. The Company shall bear the registration expenses (exclusive of underwriting discounts and commissions) of the demand registrations, piggyback registrations and S-3 registrations described above.
- e. The Registration Rights may be transferred to a transferee or assignee acquiring at least 100,000 shares of Registrable Securities (equitably adjusted for any stock splits, subdivisions, stock dividends, changes, combinations or the like); provided, however, that (i) the Company must receive written notice prior to the time of said transfer, stating the name and address of said transferee or assignee and identifying the securities with respect to which such rights are being assigned, (ii) the transferee or assignee of such rights must not be a person deemed by the Supervisory Board of the Company, in its reasonable judgment, to be a competitor or potential competitor of the Company, and (iii) such transferee or assignee must agree to be bound by the terms of the registration rights agreement. Notwithstanding the limitation set forth in the foregoing sentence respecting the minimum number of shares which must be transferred, any holder that (i) is a partnership, limited liability company or corporation may transfer such holder’s Registration Rights to (A) entities affiliated directly or indirectly with such partnership or its manager, limited liability company or corporation, (B) any partner (or retired partner or incoming partner), member (or retired member) or stockholder of such partnership, limited liability company or corporation, (C) the spouse, siblings, lineal descendants or ancestors of any such partner (or retired partner), member (or retired member) or stockholder, (D) the estate of any such partner (or retired partner), member (or retired member) or stockholder and (E) any custodian or trustee for the benefit of any such partner (or retired partner), member (or retired member) or stockholder or the spouse, siblings, lineal descendants or ancestors of any such partner (or retired partner), member (or retired member) or stockholder, as the case may be, or (ii) holds shares in its capacity as trustee, manager or custodian of a trust, may transfer such holder’s Registration Rights to a replacement

trustee, manager or custodian of the relevant trust, in each case, without restriction as to the number or percentage of shares acquired by any such transferee.

6. Registration Rights will terminate (i) 5 years after an IPO or (ii) as to any holder, such time at which all Registrable Securities held by such holder can be sold in any three-month period without registration in compliance with Rule 144 Securities Act of 1933, as amended, without volume limitations and without reliance on Rule 144(k) Securities Act of 1933, as amended, or other applicable laws governing the sale of unregistered securities of a corporation registered on a stock exchange in the European Union or a transnational stock exchange.

#### **Sec. 18**

##### **Auditors**

The Shareholders shall appoint a nationally recognized auditing company as auditor of the Company and undertakings associated with it.

#### **Sec. 19**

##### **Information Rights; Covenants**

1. The Company shall be obliged to provide each holder of Preferred Shares and each holder of Common Shares holding 1 % or more of the total outstanding shares and Technologie Beteiligungsfonds Bayern II GmbH & Co. KG (“**TF II**”) with the following information:
  - a. audited annual accounts within 120 days from the end of the respective business year;
  - b. unaudited monthly profit and loss and cash-flow accounts within 30 days from the end of the respective month as well as research and development reports on current material development projects.
2. In addition, the Company shall be obliged to provide each holder of Preferred Shares holding at least 10,000 Preferred Shares (as adjusted for stock splits, stock dividends, reverse stock splits and the like with respect to such shares) with the following information:
  - a. annual business plan / budget for the subsequent business year following approval by the Supervisory Board of the Company, but in

no event later than 30 days prior to the end of the current business year and any update of the annual business plan as such update is prepared;

- b. unaudited quarterly accounts and reports within 30 days from the end of the respective quarter explaining inter alia the business development, progress in research and development, staff changes and any other major issues, in each case against the business plan and / or the agreed budget.

Moreover, the Company shall be obliged to provide each Preferred Shareholder holding 10 % or more of the total share capital of the Company on a fully-diluted basis management reports prepared by the Management Board of the Company for meetings of the Supervisory Board prior to each such meeting; provided, however, that the Company shall not be obligated to provide such management reports if it reasonably believes that this action could erode trade secret status of such information.

3. The Company shall permit any Preferred Shareholder holding at least 10,000 Preferred Shares (as adjusted for stock splits, stock dividends, reverse stock splits and the like with respect to such shares), to visit and inspect the Company's properties, to examine its books of account and records and to discuss the Company's affairs, finances, and accounts with its officers, all at such reasonable times as may be requested by such holder; provided, however, that the Company shall not be obligated pursuant to this para. 3 to provide any information which it reasonably considers to be a trade secret or confidential information. The requesting Shareholder bears all costs of this process.
4. Such information rights as set forth above may be transferred to acquirers of Preferred Shares provided that such transfer of rights has been notified to the Company at least two weeks prior to the relevant information having to be submitted.
5. **The individuals who are parties to this Agreement ("Affected Persons") agree that the Company, its corporate bodies, the members thereof and its Shareholders as well as all business entities which are affiliated with the Shareholders within the meaning of § 15 AktG ("Recipients") may, in compliance with applicable legal provisions, manually or electronically store, process or exchange among themselves personal data of the Affected Persons. This applies without limitation to personal data which serve for the purpose of identification of the Affected**

**Persons (e.g. name, profession, address, date of birth) as well as for such personal data as may have a bearing on the acquisition, the holding or the disposition of the participation in the Company or the commercial basis or merits of these business transactions. Subject to existing confidentiality agreements, if any, the Recipients may also transfer personal data of the Affected Persons to Recipients or to persons acting on behalf of any Recipient in other member states of the European Union, the agreement of the European Economic Area or in third countries, provided that a reasonable level of data protection is ensured at the Recipients in such third countries.**

6. Pursuant to the German Prevention of Money Laundering Act (*Geldwäschegesetz - GWG*), TF II is obliged to identify the Shareholders and – as the case may be – possible legal successors of such Shareholders. In order to fulfill the requirements imposed by the GWG, the Shareholders and – as the case may be – possible legal successors of such Shareholders hereby undertake vis-à-vis TF II, respectively, to use commercially reasonable efforts to provide TF II with a copy of their passports (individual person) or an excerpt from the competent commercial register including a list of shareholders (legal entity) or – in case of foreign legal entities – comparable documents and – insofar as existent – to identify the beneficial owner of such Shareholder. The Shareholders undertake to provide TF II with the aforementioned documents until the date of accession of each such Shareholder as a party to the Investment Agreement and this Agreement.
7. The Company will use, and cause each direct and indirect subsidiary to use, commercially reasonable efforts to conduct its affairs such that the Company and its direct or indirect subsidiaries will not be a “passive foreign investment company” (“**PFIC**”) as defined in Section 1297 of the Internal Revenue Code of 1986, as amended (the “**Code**”) for the current year or any subsequent year. The Company agrees to make available to any Preferred Shareholder upon request, the books and records of the Company and its direct and indirect subsidiaries, and to provide information to such Preferred Shareholder with respect to the Company’s or any subsidiary’s status or potential status as a PFIC. The Company will make due inquiry with its tax advisors on at least an annual basis regarding its status as a PFIC. Upon a determination by the Company, any Preferred Shareholder or any taxing authority that the Company or any direct or indirect subsidiary has been or is likely to become a PFIC, the Company will provide any Preferred Shareholder with all information reasonably available to the Company or any of its subsidiaries to permit such Preferred Shareholder to (i) accurately prepare all Tax returns and comply with any reporting requirements as a result of such determination and (ii) make any election (including, without

limitation, a “qualified electing fund” election under Section 1295 of the Code), with respect to the Company or any of its direct or indirect subsidiaries, and comply with any reporting or other requirements incident to such election. If a determination is made by the Company, any Preferred Shareholder or any taxing authority that the Company is a PFIC for a particular year, then for such year and for each year thereafter, the Company will also provide the Preferred Shareholders with a completed “PFIC Annual Information Statement” as required by Treasury Regulation Section 1.1295-1(g) and otherwise comply with applicable Treasury Regulation requirements. The Company will promptly notify the Preferred Shareholders of any assertion by the Internal Revenue Service that the Company or any of its direct or indirect subsidiaries is or is likely to become a PFIC.

8. The Company will not sell or issue any shares of the Company to any U.S. person or entity if such sale or issuance of shares would cause the Company to be a “controlled foreign corporation” (“CFC”) within the meaning of Section 957 of the Code. The Company will provide prompt written notice to the Preferred Shareholders if at any time the Company becomes aware that it or any subsidiary may, or has, become a CFC. Upon request of a Preferred Shareholder from time to time, the Company will promptly provide in writing such information in its possession concerning its shareholders and, to the Company’s actual knowledge, the direct and indirect interest holders in each shareholder sufficient for such Preferred Shareholder to determine that the Company is not a CFC. In addition, the Company will cooperate in good faith with the Preferred Shareholders and their tax advisors to take any and all commercially reasonable actions as requested by the Preferred Shareholders to avoid becoming and to mitigate the impact on the Preferred Shareholders of becoming or being a CFC. The Company will promptly notify the Preferred Shareholders of any assertion by the Internal Revenue Service that the Company or any of its direct or indirect subsidiaries is or is likely to become a CFC.
9. In the event that a Preferred Shareholder’s tax advisor determines that such Preferred Shareholder’s interest in the Company is subject to the reporting requirements of either or both of Sections 6038 and 6038B of the Code, the Company agrees, upon a request from such Preferred Shareholder, to provide such information to such Preferred Shareholder as may be necessary to fulfil such Preferred Shareholder’s obligations under such requirements.
10. Each Shareholder hereby expressly consents to the provisions of this Sec. 19.



**Sec. 20**  
**Future Financing Rounds / Pre-emption Rights**

1. Each of the Shareholders shall enter into investment agreements and shareholders' agreements and related agreements for further rounds of financing of the Company (without the obligation to invest further funds), provided that (i) such future financing agreements provide for reasonable and common terms and conditions, (ii) an Investor Majority agrees to the terms and conditions of the future financing agreements and (iii) each Shareholder within each class is treated equally.
2. As provided by mandatory German law, in any case of any increase of the Company's capital the Preferred Shareholders shall have the mandatory right to maintain their percentage ownership in the Company. All Shareholders shall waive their pre-emptive rights (*Bezugsrechte*) in the following events:
  - a. Issues of the Preferred Shares Series C pursuant to the Investment Agreement;
  - b. Securities issued as a dividend or distribution with respect to the Preferred Shares;
  - c. Securities offered in an IPO as defined in Sec. 10 para. 6;
  - d. Securities issued pursuant to the acquisition by the Company of another corporation or entity by consolidation, corporate reorganizations, or merger, or purchase of all or substantially all of the assets of such corporation or entity as approved by the Company's Supervisory Board;
  - e. Securities issued to the Company's officers, directors, employees, consultants, and advisors pursuant to stock option or employee incentive plans, agreements or arrangements as designated and approved by the Company's Supervisory Board;
  - f. Securities issued without consideration pursuant to a stock dividend, stock split, or similar transaction approved by the Company's Supervisory Board; and
  - g. Securities issued in connection with equipment leasing, real estate leasing, bank financing or similar transactions approved by the Company's Supervisory Board.

3. The Parties agree that to the extent pre-emption rights with respect to shares to be newly issued are not exercised by any Party the other Shareholders shall be entitled to subscribe for the new shares with respect to which pre-emption rights are not exercised on a pro-rata basis before a right to subscribe for such new shares shall be granted to any third party.

## Sec. 21

### Additional Undertakings, Prohibition to Compete, D & O Insurance

1. Any inventions made by the persons named in **Exhibit A** as founder (the “**Founders**”) in the area of anticalin® proteins and/or lipocalins and (in both cases) modifications thereof and/or related respective know-how shall exclusively be owned by the Company. Each of the Founders hereby undertakes to transfer the respective inventions, intellectual property rights and know-how to the Company free of any consideration. Each of them hereby assigns such rights to the Company, which accepts such transfer. In order to obtain - to the extent possible – exclusive rights to inventions made during the employment at universities or other research institutes, the Founders will use their best efforts to enforce their rights provided under the Act of Employees Inventions (*Arbeitnehmererfindergesetz*) in order to enable the Company to make use of such inventions in the most favorable way.
2. The Shareholders shall maintain complete secrecy in relation to confidential information and secrets of the Company, namely trade and business secrets, of which they obtain knowledge, including without limitation the contents of this Agreement and the Investment Agreement, unless otherwise required by mandatory law. The Company, however, authorizes each of the Preferred Shareholders to notify (i) undertakings affiliated with the respective Preferred Shareholder within the meaning of § 15 AktG, (ii) equity funds managed or advised by the respective Preferred Shareholder, a company affiliated with the respective Preferred Shareholder within the meaning of § 15 AktG, a general partner and/or management company of the respective Preferred Shareholder, and (iii) the stock exchanges and any state offices and authorities to whom the respective Preferred Shareholder or undertakings affiliated with him must notify this information under statutory provisions, about information concerning the Company to which they have access as shareholders of the Company, including without limitation the contents of this Agreement and the Investment Agreement. In addition each of the Preferred Shareholders and undertakings affiliated with the respective Preferred Shareholder may officially publish such information, if he or undertakings

affiliated with the respective Preferred Shareholder are obliged to do so by statutory provisions or to stock exchanges or to any other authority to whose supervision he or undertakings affiliated with him are subject. Technologie Beteiligungsfonds Bayern II GmbH & Co. KG and KfW shall be allowed to disclose their participations in the Company vis-à-vis the Federal Supervisory Agency (*Bundesrechnungshof*) and the Federal Department of Economics (*Bundeswirtschaftsministerium*) as required by applicable law.

3. As long as a Founder is a shareholder with at least 1.5 % in the Company's share capital he undertakes not to directly or indirectly compete with the Company or its affiliates within (i) the business field in which the Company and/or its affiliates are active on the day of this Agreement and (ii) the territory of the Federal Republic of Germany and every other country in which the Company and/or any of its affiliates operate on the day of this Agreement. He shall also not be allowed to take a direct or indirect shareholding in a competing business. Shareholdings in other companies up to the amount of 2 % of the share capital are allowed as long as such shareholding does not grant any influence on the management of the respective company and only pursues private asset management purposes.
4. Each Founder who is employed by the Company hereby undertakes in his capacity as shareholder not to directly or indirectly compete with the Company or its affiliates within (i) the business field in which the Company and/or its affiliates are active on the day of this Agreement and (ii) the territory of the Federal Republic of Germany and every other country in which the Company and/or any of its affiliates operate on the day of this Agreement for a period of 12 months after the termination of his employment. In case of an infringement of the prohibition to compete pursuant to paras. 3 or 4 a penalty of EUR 10,000 per one single infringement is due. As one single infringement in this sense is regarded a time period of one to fourteen calendar days. The right to demand injunctive relieve or damages shall not be affected hereby.
5. Paras. 3, 4 and 5 shall also apply when the Founder is only a consultant to the Company. As long as he is a shareholder in the Company, the Founder Prof. Dr. Arne Skerra will not render any consultant services to another business entity which is active in the area of anticalin® proteins and/or lipocalins and/or (in both cases) modifications thereof. Furthermore, Prof. Dr. Arne Skerra and the Company hereby agree to terminate the existing consultant agreement dated December 19, 2001 as amended by amendment agreement dated December 19/20, 2004 (jointly "**Consultancy Agreement**")

with effect as of September 30, 2015 (“**Termination Date**”). Until the Termination Date, the Consultancy Agreement shall continue on a fully exclusive basis according to the terms and provisions set forth in the Consultancy Agreement. Prof. Dr. Arne Skerra and the Company hereby acknowledge that the Consultancy Agreement will cease to be in force and effect after the end of the Termination Date, if the Consultancy Agreement does not provide for the survival of specific provisions following its termination.

6. Each Founder undertakes not to make any disparaging statement or derogatory comment in public and/or to any third party about the Company and/or its business or affairs and/or any of its directors, officers, employees or shareholders in relation to the Company, its business or affairs.
7. At its expenses, the Company shall obtain an adequate D & O insurance for the members of the Supervisory Board and board of management.

## **Sec. 22**

### **Management and Founder Carve Out**

1. In addition to the existing employee stock option plan, the Company will implement a carve out plan in favor of (i) selected members of the management of the Company and (ii) Prof. Skerra Beteiligungsgesellschaft mbH (jointly “**Beneficiaries**”) entitling the Beneficiaries to an amount representing up to 3.5 % of the Proceeds resulting from an Exit Event and remaining after the payments pursuant to Sec. 10 para. 2 lit. a in accordance with Sec. 10 para. 2 lit. b (“**Carve Out Plan**”). The detailed structure and the terms and conditions of the Carve Out Plan as well as the Beneficiaries and their respective entitlement shall require the approval of an Investor Majority, whereby Prof. Skerra Beteiligungsgesellschaft mbH shall be entitled to a percentage of 7.14 % of the 3.5 % of the Carve out Plan (i.e. a total percentage of 0.25% of the Proceeds remaining after the payments pursuant to Sec. 10 para. 2 lit. a). The Carve Out Plan shall be administered by the Supervisory Board.
2. The details of the Carve Out Plan shall be laid down in a resolution of the Supervisory Board of the Company that has to be approved by an Investor Majority. The Shareholders undertake individually vis-à-vis each other to resolve everything necessary and to make declarations to implement the Carve Out Plan as approved by an Investor Majority.
3. Each of the Parties undertakes individually for himself vis-à-vis each other Party, to do or cause to be done everything necessary or appropriate to implement the Carve Out Plan, and in particular to exercise his voting rights in the shareholders’ meeting of the Company.

**Sec. 23**  
**Term of this Agreement**

1. This Agreement shall become valid and binding at the date of this Agreement and shall continue to be valid and binding until December 31, 2028; for this period of time, a regular termination (*ordentliche Kündigung*) of this Agreement shall be excluded. Thereafter, each of the Parties may give six months' written notice to the end of a calendar year to terminate its participation in this Agreement for the future. The right to terminate this Agreement for cause (*aus wichtigem Grund*) shall remain unaffected. If one Party leaves as a result of giving notice or for any other reason, this Agreement shall be continued by the remaining Parties; this shall also apply in the event of the insolvency or liquidation of any of the Parties.
2. Upon this Agreement taking effect, all Existing Agreements, in particular the Consolidated Shareholders' Agreement 2012 dated November 12, 2012 as well as any and all other shareholders' agreements and/or investment agreements and/or comparable agreements among all or individual Shareholders relating to their participation in the Company, shall be totally replaced by this Agreement and the Investment Agreement for the future. The Loan Agreements shall terminate and be of no further force or effect upon the effectiveness of the assignment of the Repayment Claims by the Lending Shareholders to the Company in accordance with Sec. 2 of the Investment Agreement. This para. 2 shall not affect the cooperation agreements of the Company currently in effect with (i) KfW or Technologie Beteiligungsfonds Bayern II GmbH & Co. KG respectively and (ii) The Global Life Science Ventures Fonds II GmbH & Co. KG and The Global Life Science Ventures Fund II Limited Partnership, respectively, i.e. these cooperation agreements shall not be terminated or replaced by this Agreement.
3. This Agreement shall – with the exception of the provisions set forth in Secs. 10 para. 6 and 17 para. 5 and 6 – terminate at such date at which the Company's shares or securities replacing shares (e.g. American Depositary Receipts or DIs) are listed on a domestic or foreign or transnational stock exchange; the foregoing shall also apply with regard to events set forth in Sec. 17 para. 1 which are equivalent to a direct listing at a stock exchange.
4. This Agreement shall apply to all shares held by the Parties and shall apply to current and future shareholdings in the Company.

**Sec. 24**  
**Miscellaneous**

1. If this Agreement refers to a resolution or vote of the Shareholders or a specific group of Shareholders outside shareholders' meetings, the following provisions shall apply: The request for such a resolution or vote shall be made by any of such Shareholders in writing, by telefax and/or e-mail to all Shareholders who are part of the specific group. The resolution or vote shall be made within ten calendar days following the sending of the request and be taken in writing, by telephone, telefax and/or e-mail. The resolution or vote shall be deemed taken if Shareholders representing the majority required for such resolution or vote agree to the proposed resolution or vote within this time limit irrespective of whether all Shareholders of the specific group participate in the resolution or vote. Minutes of the resolution or vote shall be drawn up and shall be signed by the Shareholder requesting the resolution or vote immediately after the passing of such resolution or vote, and a copy shall be provided to each Shareholder and the Company.
2. The Company and the Shareholders herewith, in advance, grant their consent to employees and other persons who were granted an option to acquire shares in the Company and who exercise their respective options granted, to enter into this Agreement, to the extent that such entering into this Agreement as party hereto is provided for by the terms of the Company's stock option plan. In the event that the shares' pro-rata participation in the share capital should be adjusted or any capital increase from reserves (*Kapitalerhöhung aus Gesellschaftsmitteln*), the Euro-amounts (liquidation- and sale proceeds preference, compulsory conversion of preference shares into common shares pursuant to Sec. 10 para. 3, anti-dilution protection), as the case may be, set forth in this Agreement and in the Company's Articles of Association shall be adjusted accordingly.
3. Prof. Dr. Arne Skerra undertakes that he will manage his shareholding in Prof. Skerra Beteiligungsgesellschaft mbH only in accordance with this Agreement and that Prof. Skerra Beteiligungsgesellschaft mbH will dispose of and manage its shareholding in the Company only in accordance with this Agreement. The same is hereby undertaken by Dr. Martin Pöhlchen with regard to his shareholding in MAPO Beteiligungsgesellschaft mbH and the shareholding of MAPO Beteiligungsgesellschaft in the Company.

4. In the event that certain provisions set forth in this Agreement and those set forth in the Articles of Association of the Company should conflict or provide different terms and conditions in respect of an issue, the terms and conditions set forth in this Agreement shall prevail over the contents of the Articles of Association, to the extent legally permissible. In the event of such different provisions or a conflict of clauses, the Shareholders shall, to the extent legally permissible, amend the Articles of Association so that they conform with the terms and provisions set forth herein.
5. The Parties are aware that the investment in the Company are in part refinanced by the KfW. KfW, in return for agreeing to effect such refinance, requires under certain circumstances that such investment refinanced by KfW pro rata may be pledged. KfW's terms and conditions also include the requirement that KfW, BMWi or their respective appointees pursuant to § 1 BHO (*Bundeshaushaltsordnung*) and the Bundesrechnungshof are granted the right to supervise the way funds are granted are employed. In order to comply with such requirement, the aforementioned entities are entitled to inspect the Company's books and records and to generally demand information about the Company's financial standing. The inspection and information rights as aforesaid may also be exercised / carried out by an auditor appointed by an Investor Majority. The costs for such auditor are to be borne by such requesting shareholder.
6. The Parties consent that KfW is managing its shareholdings in the Company in accordance with the "Principles of Participations in Technology Companies" as attached hereto as **Exhibit 24.6**.
7. To the extent legally permissible, place of venue and performance shall be Munich, Germany. All disputes arising out of or in connection with this Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law and according to the Arbitration Agreement enclosed to the Investment Agreement. This shall include disputes regarding the validity, the performance or the termination of this Agreement in whole or in part including possible amendments of the same. The place of arbitration is Munich, Germany. The arbitration tribunal consists of three arbitrators. The language of the arbitration proceedings is English.
8. Any amendments or alterations to this Agreement, including a waiver of the written form requirement, require to be in writing in order to be valid.

9. In the event that a provision of this Agreement is or proves to be invalid or unenforceable, the validity of the remaining provisions hereof and the Investment Agreement shall not be affected thereby. The invalid or unenforceable provision is moreover to be replaced by a valid and enforceable provision which reaches the Parties' original commercial intent as at the date hereof to the closest possible extent. The foregoing shall also apply in the event of contractual provisions that prove to be missing.
10. This Agreement shall be governed by and construed in accordance with the laws of the Federal Republic of Germany without regard to the conflicts of laws provisions thereof and the CISG.
11. The Company and the Preferred Shareholders shall commonly agree on the format and contents of a press release regarding the closing of this Agreement.

Munich, October 10, 2014

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 /s/ i.V. Th. Strassner    /s/ Hans Küpper  
 Pieris AG  
*(represented by the management board and the supervisory board)*

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 /s/ i.V. Th. Strassner  
 Dr. Steffen Schlehübler

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 /s/ i.V. Th. Strassner  
 Dr. Karsten Schürle

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 /s/ i.V. Th. Strassner  
 BioM Aktiengesellschaft Munich BioTech Development

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 /s/ i.V. Th. Strassner  
 TransConnect Unternehmensberatungs- und Beteiligungs AG

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 /s/ i.V. Th. Strassner  
 Prof. Skerra Beteiligungsgesellschaft mbH

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 /s/ i.V. Th. Strassner  
 Claus Schalper

\_\_\_\_\_  
 /s/ i.V. Th. Strassner  
 MAPO Beteiligungsgesellschaft mbH

\_\_\_\_\_  
 /s/ i.V. Th. Strassner  
 BioM Venture Capital GmbH & Co. Fonds KG

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 /s/ i.V. Th. Strassner  
 The Global Life Science Ventures Fonds II GmbH & Co. KG



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/s/ i.V. Th. Strassner

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The Global Life Science Ventures Fund II Limited Partnership

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/s/ i.V. Th. Strassner

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BayTech Venture Capital GmbH & Co. KG

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/s/ Jiang Bian

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KfW

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/s/ i.V. Th. Strassner

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OrbiMed Private Investments III, LP

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/s/ i.V. Th. Strassner

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Novo Nordisk A/S

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/s/ i.V. Th. Strassner

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Dr. Martin Pöhlchen

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/s/ i.V. Th. Strassner

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Gilde Europe Food & Agribusiness Fund B.V.

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/s/ i.V. Th. Strassner

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Coöperatieve AAC LS U.A.

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/s/ i.V. Th. Strassner

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Technologie Beteiligungsfonds Bayern II GmbH & Co. KG

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/s/ i.V. Th. Strassner

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OrbiMed Associates III, LP

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/s/ i.V. Th. Strassner

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Cadila Healthcare Ltd.

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/s/ i.V. Th. Strassner

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Prof. Dr. Arne Skerra

**Exhibits:**

**Exhibit A** - List of Holders of Common Shares, of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B, of Preferred Shares Series C, of Indirect Shareholders and of Founders

**Exhibit 24.6** - "Principles of Participations in Technology Companies" by KfW

**Exhibit A:****List of Holders of Common Shares, of Preferred Shares Series A, of Preferred Shares Series A-1, of Preferred Shares Series B, of Preferred Shares Series C, of Indirect Shareholders and of Founders**

<u>Name</u>	<u>Participation as</u>
Prof. Skerra Beteiligungsgesellschaft mbH, Max-Lehner-Straße 19, 85354 Freising, Germany	Holder of Common Shares Founder
Dr. Steffen Schlehner, In den Kappesgärten 22, 67152 Ruppertsberg, Germany	Holder of Common Shares Founder
Claus Schalper, Kaiser-Ludwig-Platz 1, 80336 Munich, Germany	Holder of Common Shares Founder
Dr. Karsten Schürle, Palmstraße 7, 60316 Frankfurt a.M., Germany	Holder of Common Shares Founder
MAPO Beteiligungsgesellschaft mbH, Hubertusweg 34, 85540 Haar, Germany	Holder of Common Shares
BioM Aktiengesellschaft Munich BioTech Development, Am Klopferspitz 19 a, 82152 Planegg-Martinsried, Germany	Holder of Common Shares Holder of Preferred Shares Series B Holder of Preferred Shares Series C
BioM Venture Capital GmbH & Co. Fonds KG, Am Klopferspitz 19 a, 82152 Planegg-Martinsried, Germany	Holder of Common Shares Holder of Preferred Shares Series A Holder of Preferred Shares Series A-1 Holder of Preferred Shares Series B
TransConnect Unternehmensberatungs- und Beteiligungs AG, Prinzregentenstraße 56, 80538 Munich, Germany	Holder of Common Shares Holder of Preferred Shares Series A Holder of Preferred Shares Series A-1 Holder of Preferred Shares Series B Holder of Preferred Shares Series C

The Global Life Science Ventures Fonds II GmbH & Co. KG, Von-der-Tann-  
Straße 3, 80539 Munich, Germany

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B  
Holder of Preferred Shares Series C

The Global Life Science Ventures Fund II Limited Partnership, PO Box 431,  
Alexander House,13-15 Victoria Road, St. Peter Port, Guernsey, G41 3ZD

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B  
Holder of Preferred Shares Series C

Gilde Europe Food & Agribusiness Fund B.V., Newtonlaan 91, 3584 BP  
Utrecht, The Netherlands

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B  
Holder of Preferred Shares Series C

BayTech Venture Capital GmbH & Co. KG, Herzog-Heinrich-Straße 22, D-  
80336 Munich, Germany

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B  
Holder of Preferred Shares Series C

Coöperatieve AAC LS U.A., Gooimeer 2-35, P.O. Box 5187, 1410 AD Naarden,  
The Netherlands

Holder of Preferred Shares Series A  
Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B  
Holder of Preferred Shares Series C

KfW, Ludwig-Erhard-Platz 1-3, 53179 Bonn, Germany

Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B

Technologie Beteiligungsfonds Bayern II GmbH & Co. KG, Ländgasse 135a,  
84028 Landshut, Germany

Holder of Preferred Shares Series A-1  
Holder of Preferred Shares Series B

OrbiMed Private Investments III, LP, 601 Lexington Avenue, 54th Floor, New  
York, NY 10022, USA

Holder of Preferred Shares Series B  
Holder of Preferred Shares Series C

OrbiMed Associates III, LP, 601 Lexington Avenue, 54th Floor, New York, NY  
10022, USA

Holder of Preferred Shares Series B  
Holder of Preferred Shares Series C

Novo Nordisk A/S, Novo Allé, 2880 Bagsværd, Denmark

Holder of Preferred Shares Series B

Holder of Preferred Shares Series C

Cadila Healthcare Ltd., Zydus Tower, Satellite Cross Roads, Ahmedabad - 380  
015, India

Holder of Preferred Shares Series C

Prof. Dr. Arne Skerra, Max-Lehner-Straße 19, 85354 Freising, Germany

Indirect Shareholder

Dr. Martin Pöhlchen, Hubertusweg 34, 85540 Haar, Germany

Indirect Shareholder

**“Principles of Participations in Technology Companies” by KfW**

*Execution Version*

**Investment Agreement  
Pieris AG, Freising, Germany  
dated October 10, 2014**

by and among

1. Pieris AG, whose principal place of business is at Lise-Meitner-Str. 30, 85354 Freising, Germany (the “**Company**”), represented by its management board, consisting of Stephen Yoder, and its supervisory board, being represented by its chairman, Dr. Hans A. Küpper;
2. Stephen Yoder, being the sole member of the management board of the Company;
3. The persons listed in **Exhibit A** who are the existing shareholders in the Company (jointly “**Existing Shareholders**”);

and

4. The persons listed in **Exhibit B** who are the (i) future shareholders in the Company and (ii) Existing Shareholders investing in this financing round along with the future shareholders with regard to their new preferred shares series C (jointly “**Investors**” or “**Holders of Preferred Shares Series C**”).

The Existing Shareholders and the Investors shall jointly be referred to as the “**Shareholders**”. The Shareholders, the Company and Stephen Yoder shall jointly be referred to as the “**Parties**”.

**Preamble**

- A. The Shareholders are the current and future shareholders of the Company, which is registered in the commercial register of the local court of Munich (hereinafter referred to as the “**Commercial Register**”) under no. HRB 133223. The object of the Company is the biotechnological research and development and the distribution of applications of the research results.
- B. With regard to the Company a series of rounds of financing providing for equity capital were closed and corresponding agreements were entered into, in particular the Investment Agreement and the Shareholders Agreement both dated October 23, 2002, the Investment Agreement dated October 14, 2004 (file no. V 2519/2004 of the notary Dr. Oliver Vossius, Munich), the Investment Agreement and the Shareholders Agreement both dated November 13,

2006, the Investment Agreement and Consolidated Shareholders' Agreement both dated March 26, 2008 as well as the Consolidated Shareholders' Agreement 2012 dated November 12, 2012 (jointly the "**Existing Agreements**"). All Existing Agreements will be consolidated and replaced by a new consolidated shareholders' agreement 2014 attached hereto as **Exhibit C** (the "**CSA 2014**").

- C. The Company's share capital currently amounts to EUR 979,701.00 and is divided into 59,993 common shares, 324,313 preferred shares series A, 132,432 preferred shares series A-1 and 462,963 preferred shares series B. All shares are non-par value shares with a portion of the Company's share capital (*anteiliger Betrag des Grundkapitals*) of EUR 1.00 each, and are in registered form.
- D. The current shareholding is as follows:

<u>Name of Existing Shareholder</u>	<u>Number of Common Shares</u>	<u>Number of Preferred Shares Series A</u>	<u>Number of Preferred Shares Series A-1</u>	<u>Number of Preferred Shares Series B</u>
Prof. Skerra Beteiligungsgesellschaft mbH	43.663			
Dr. Steffen Schlehuber	1.162			
Claus Schalper	870			
Dr. Karsten Schürle	584			
MAPO Beteiligungsgesellschaft mbH	5.664			
BioM Aktiengesellschaft Munich BioTech Development	2.950			1.852
BioM Venture Capital GmbH & Co. Fonds KG	1.870	40.537	8.277	5.926
TransConnect Unternehmensberatungs- und Beteiligungs AG	3.230	6.755	2.570	6.189
The Global Life Science Ventures Fonds II GmbH & Co. KG		45.606	17.358	31.035
The Global Life Science Ventures Fund II LP		35.474	13.501	24.139
Gilde Europe Food & Agribusiness Fund B.V.		81.080	30.858	55.174
BayTech Venture Capital GmbH & Co. KG		60.812	9.312	9.312
Coöperatieve AAC LS U.A.		54.049	14.070	33.575
KfW			22.973	11.324
Technologie Beteiligungsfonds Bayern II GmbH & Co. KG			13.513	6.659
OrbiMed Private Investments III, LP				183.438
OrbiMed Associates III, LP				1.747
Novo Nordisk A/S				92.593
<b>Total</b>	<b>59.993</b>	<b>324.313</b>	<b>132.432</b>	<b>462.963</b>
		<b>979.701</b>		

TransConnect Unternehmensberatungs- und Beteiligungs AG became a shareholder in the Company by way of merger (*Verschmelzung*) with the former shareholder TransConnect Corporate Finance Beratungs GmbH taking



over all of its rights and duties as a shareholder in the Company in accordance with a merger agreement dated July 25, 2014, registered with the competent commercial register of TransConnect Unternehmensberatungs- und Beteiligungs AG on September 11, 2014.

- E. On November 12, 2012, as amended in March 2014, and on April 14, 2014, the Company and the Existing Shareholders entered into agreements regarding convertible bridge loans (*Wandeldarlehen*) (jointly the “**Loan Agreements**”) totaling to a loan amount of EUR 4,000,000.00 (the “**Convertible Loans**”). The lending Existing Shareholders (jointly the “**Lending Shareholders**”) have provided to the Company loan facilities under the Convertible Loans, which are currently outstanding as follows:

<u>Lending Shareholder</u>	<u>Advanced Loan Amount 2012 in EUR</u>	<u>Advanced Loan Amount 2014 in EUR</u>
OrbiMed Private Investments III, LP	492.113	797.987
OrbiMed Associates III, LP	4.687	5.001
Novo Nordisk A/S	199.606	199.606
TransConnect Unternehmensberatungs- und Beteiligungs AG	50.285	53.659
BioM Aktiengesellschaft Munich BioTech Development	164.751	13.747
The Global Life Science Ventures Fonds II GmbH & Co. KG	252.173	168.746
The Global Life Science Ventures Fund II LP	196.145	131.254
Gilde Europe Food & Agribusiness Fund B.V.	421.015	300.000
BayTech Venture Capital GmbH & Co. KG	0	200.000
Coöperatieve AAC LS U.A.	219.225	130.000
<b>Total</b>	<b>2.000.000</b>	<b>2.000.000</b>
	<b>4.000.000</b>	

In the course of this financing round (the “**2014 Financing Round**”) the Lending Shareholders will convert the Convertible Loans into new preferred shares series C of the Company by way of contribution of the respective claim for repayment of the outstanding loan facilities (the “**Repayment Claims**”) into the capital reserves of the Company.

- F. The Company seeks further growth financing amounting to a total of up to EUR 4,970,149.15 in new money (equaling USD 6,660,000; not taking into account the Convertible Loans) in the 2014 Financing Round, which is divided into two tranches, by the issuance of new preferred shares series C. The Investors are prepared to commit the first tranche in the amount of EUR 3,552,646.44 (equaling USD 4,760,546.23) as additional equity capital under the terms of this investment agreement (“**Investment Agreement**”) as follows:

<u>Investor</u>	<u>Total Investment in EUR</u>
OrbiMed Private Investments III, LP	1.819.978,03
OrbiMed Associates III, LP	17.333,90
Cadila Healthcare Ltd. (“ <b>Zydus</b> ”)	1.492.537,31
TransConnect Unternehmensberatungs- und Beteiligungs AG	47.797,20
BayTech Venture Capital GmbH & Co. KG	175.000,00
<b>Total</b>	<b>3.552.646,44</b>

As part of the first tranche of the 2014 Financing Round, OrbiMed Private Investments III, LP will pay the aggregate amount of the total issue price of the new shares to be issued to the Lending Shareholders Novo Nordisk A/S, BioM Aktiengesellschaft Munich BioTech Development, The Global Life Science Ventures Fonds II GmbH & Co. KG, The Global Life Science Ventures Fund II LP, Gilde Europe Food & Agribusiness Fund B.V. and Coöperatieve AAC LS U.A. (jointly the “**Lenders**”) for the contribution of the respective Repayment Claims on behalf of and to the benefit of the Lenders in exchange for these Lenders contributing a corresponding portion of the Repayment Claims into the capital reserves of the Company on behalf of and to the benefit of OrbiMed Private Investments III, LP.

- G. A new authorized capital 2014 (*Genehmigtes Kapital 2014*) will be created for the second tranche of the 2014 Financing Round amounting to up to EUR 1,417,502.71 (equaling USD 1,899,454) as additional equity capital and the management board with the approval of the supervisory board of the Company shall be authorized to invite Shareholders and/or new investors to subscribe for new preferred shares series C to be issued in this second tranche.
- H. The Parties intend to regulate their relationship as current and future shareholders of the Company by entering into a separate shareholders’ agreement, the CSA 2014. The CSA 2014 shall form an integral part of this Investment Agreement. Capitalized terms used but not defined herein shall

have the same meaning as given to them in the CSA 2014. Upon this Investment Agreement and the CSA 2014 coming into force, all prior agreements between the undersigning parties regulating their relationship as shareholders of the Company, including but not limited to the Existing Agreements and the Loan Agreements, shall be terminated and finally superseded, except for the cooperation agreements of the Company currently in effect with (i) KfW or Technologie Beteiligungsfonds Bayern II GmbH & Co. KG respectively and (ii) The Global Life Science Ventures Fonds II GmbH & Co. KG and The Global Life Science Ventures Fund II Limited Partnership, respectively.

- I. It is the common intention of the Shareholders that the shares of the Company are listed on a stock exchange or the Company is sold to a third party in due course.

NOW, THEREFORE, the Parties hereby enter into the following Investment Agreement:

**Sec. 1**  
**First Tranche Capital Increase**

1. The Existing Shareholders shall resolve unanimously and with the votes of all Existing Shareholders in a shareholders' meeting to be held in the form of a plenary meeting (*Vollversammlung*) immediately after the signing of this Investment Agreement and the CSA 2014 (the "**Shareholders' Meeting**") to increase the share capital of the Company from EUR 979,701.00 by EUR 1,629,469.00 to EUR 2,609,170.00 in return for cash contributions by the issuance of 1,629,469 new preferred shares series C (the "**First Tranche**"), each in registered form, which shall be issued as non-par value shares with a portion of the Company's share capital (*anteiliger Betrag des Grundkapitals*) of EUR 1.00 each, and to restate the articles of association (*Satzung*) of the Company, a draft of the restated articles of association is attached hereto as **Exhibit 1.1**. The new shares shall be issued for the amount of EUR 1.00 per new share (total issue price). The new shares shall have the right to participate in profits as from January 1, 2014. The new preferred shares series C shall have the rights, preferences and privileges as set forth in the restated articles of association attached hereto as **Exhibit 1.1**.

2. To the exclusion of the Existing Shareholders' subscription rights, the Investors shall be invited and obliged to subscribe for the new preferred shares series C under this Sec. 1 as follows:

<u>Investor</u>	<u>Preferred Shares Series C (number)</u>
OrbiMed Private Investments III, LP	621.577
OrbiMed Associates III, LP	5.375
Zydus	247.310
Novo Nordisk A/S	103.296
TransConnect Unternehmensberatungs- und Beteiligungs AG	34.860
BioM Aktiengesellschaft Munich BioTech Development	55.625
The Global Life Science Ventures Fonds II GmbH & Co. KG	114.060
The Global Life Science Ventures Fund II LP	88.717
Gilde Europe Food & Agribusiness Fund B.V.	194.028
BayTech Venture Capital GmbH & Co. KG	68.755
Coöperatieve AAC LS U.A.	95.866
<b>Total</b>	<b>1.629.469</b>

3. Each of the Shareholders undertakes individually for himself vis-à-vis each other Shareholder, to do or cause to be done everything necessary or appropriate to implement the measures agreed in this Sec. 1. Thus, the Existing Shareholders undertake in particular to co-operate in the increase of the share capital and the restatement of the articles of association as described by exercising their voting rights in the Shareholders' Meeting and in the special resolutions of the different classes of shares accordingly and to waive the subscription rights to which they are entitled for the subscription to new preferred shares series C to the extent described.
4. Each of the Holders of Preferred Shares Series C undertakes individually for himself vis-à-vis each of the Shareholders, to subscribe and to take over the new preferred shares series C to the extent as stated for him in the table in Sec. 1 para. 2 above immediately after the end of the Shareholders' Meeting and to pay in full and in cash the respective aggregate amount of the total issue price of EUR 1.00 per newly issued preferred share series C subscribed by them under Sec. 1 para. 2 above, respectively, within ten bank working days in Frankfurt/Main, Germany after such Holder of Preferred Shares Series C has subscribed for the new preferred shares series C; provided, however, that OrbiMed Private Investments III, LP undertakes vis-à-vis the Lenders to pay in time the following amounts on account of the aggregate amount of the total issue price of EUR 1.00 per newly issued preferred share series C to be issued to and subscribed for and taken over by the Lenders under para. 2 above (*Tilgungsbestimmung gem. § 267 BGB*):

<u>Payment on behalf of and to the benefit of (Name of Lender)</u>	<u>Aggregate Amount of the Total Issue Price in EUR</u>
Novo Nordisk A/S	103.296
BioM Aktiengesellschaft Munich BioTech Development	55.625
The Global Life Science Ventures Fonds II GmbH & Co. KG	114.060
The Global Life Science Ventures Fund II LP	88.717
Gilde Europe Food & Agribusiness Fund B.V.	194.028
Coöperatieve AAC LS U.A.	95.866
<b>Total</b>	<b>651.592</b>

5. Payments on the total issue price of EUR 1.00 per newly issued preferred share series C shall be made exclusively to the following special account of the Company for the increase of the share capital (the “**Special Account**”):

Account Holder: Pieris AG  
Bank: Deutsche Bank München  
IBAN: DE82 7007 0010 0210 4248 01  
BIC: DEUTDEMMXXX  
Reference: Share Capital / First Tranche

The Special Account will be opened solely for this purpose and must not be used for other transactions or payments prior to the aforementioned payments. The Special Account must not have a debit balance immediately prior to the aforementioned payments being effected, so that the Company’s management board can freely dispose of the amounts paid (cf. §§ 188, 36, 36a, 37 German Stock Corporation Act, *AktG*).

6. The subscriptions shall become non-binding if the consummation (*Durchführung*) of the First Tranche has not been registered in the Commercial Register on or before six months after the Shareholders’ Meeting, in which case the Investors shall have the (additional) right to request the renewal of the First Tranche and the subscription. After subscription and taking over of the new preferred shares series C as described in this Sec. 1 and receipt of the total issue price under this Sec. 1 from the Investors, the Company shall without undue delay (*unverzüglich*) apply for registration of the First Tranche and its consummation as well as the restated articles of association with the Commercial Register and shall take all actions and make all declarations necessary or appropriate for the First Tranche and the restated articles of association to become effective.

7. After the First Tranche has become effective to the full extent, the share capital of the Company will be held by the Shareholders as follows:

<b>Name of Shareholder</b>	<b>Number of Common Shares</b>	<b>Number of Preferred Shares Series A</b>	<b>Number of Preferred Shares Series A-1</b>	<b>Number of Preferred Shares Series B</b>	<b>Number of Preferred Shares Series C</b>
Prof. Skerra Beteiligungsgesellschaft mbH	43.663				
Dr. Steffen Schlehuber	1.162				
Claus Schalper	870				
Dr. Karsten Schürle	584				
MAPO Beteiligungsgesellschaft mbH	5.664				
BioM Aktiengesellschaft Munich BioTech Development	2.950			1.852	55.625
BioM Venture Capital GmbH & Co. Fonds KG	1.870	40.537	8.277	5.926	
TransConnect Unternehmensberatungs- und Beteiligungs AG	3.230	6.755	2.570	6.189	34.860
The Global Life Science Ventures Fonds II GmbH & Co. KG		45.606	17.358	31.035	114.060
The Global Life Science Ventures Fund II LP		35.474	13.501	24.139	88.717
Gilde Europe Food & Agribusiness Fund B.V.		81.080	30.858	55.174	194.028
BayTech Venture Capital GmbH & Co. KG		60.812	9.312	9.312	68.755
Coöperatieve AAC LS U.A.		54.049	14.070	33.575	95.866
KfW			22.973	11.324	
Technologie Beteiligungsfonds Bayern II GmbH & Co. KG			13.513	6.659	
OrbiMed Private Investments III, LP				183.438	621.577
OrbiMed Associates III, LP				1.747	5.375
Novo Nordisk A/S				92.593	103.296
Zydus					247.310
<b>Totals</b>	<b>59.993</b>	<b>324.313</b>	<b>132.432</b>	<b>462.963</b>	<b>1.629.469</b>
			<b>2.609.170</b>		

8. The Shareholders undertake, as amongst each other, as from the conclusion of this Investment Agreement and until the increase of the share capital under this Sec. 1 and the restated articles of association come into force and effect – to the extent that statutory provisions permit – to treat each other as if the restated articles of association had already come into force and effect on the conclusion of this Investment Agreement and the Investors had already acquired the new shares under Sec. 1 para. 2 above upon subscription, respectively. Thus, each of the Shareholders undertakes individually for himself vis-à-vis each of the Investors, as from the conclusion of this Investment

Agreement, to put the Investors internally in such position as they each would be in, if they had acquired the financial rights (*Vermögensrechte*) and, to the extent legally permissible, the administrative rights (*Verwaltungsrechte*) under this Investment Agreement, the CSA 2014 and the restated articles of association resulting from the new shares under Sec. 1 para. 2 above upon subscription, respectively. Should the Commercial Register make valid objections to the increase of the share capital or the restatement of the articles of association, the Shareholders undertake, as amongst each other, to remove such objections without undue delay by way of adopting the necessary resolutions in one or more shareholders' meetings of the Company to be held as soon as possible so that the purpose and intention of the provisions objected to can be achieved to the maximum permissible extent.

9. In the Shareholders' Meeting under Sec. 1 para. 1 above, the Existing Shareholders shall elect

- a. Mr. Chau Q. Khuong, as nominated by OrbiMed Private Investments III, LP pursuant to Sec. 16 para. 2 lit. a. of the CSA 2014;
- b. Mrs. Christina Takke, as jointly nominated by the holders of Preferred Shares Series B, Preferred Shares Series A-1 and Preferred Shares Series A pursuant to Sec. 16 para. 2 lit. b. of the CSA 2014; and
- c. Michael Richman, as nominated by all Shareholders pursuant to Sec. 16 para. 2 lit. c. of the CSA 2014

as members of the supervisory board for a term ending as of the end of the shareholders' meeting resolving on the approval of the actions (*Entlastung*) of the supervisory board for the business year 2015 with effect as of the end of the Shareholders' Meeting under Sec. 1 para. 1 above.

In the Shareholders' Meeting under Sec. 1 para. 1 above, the Existing Shareholders shall furthermore terminate the appointment of

- a. Dr. Hans A. Küpper;
- b. Mr. Michael B. Sheffery;
- c. Prof. Arne Skerra; and
- d. Edwin de Graaf

as members of the supervisory board with effect as of the end of the Shareholders' Meeting under Sec. 1 para. 1 above, unless the respective member of the supervisory board has submitted his resignation from office with same effect prior to such Shareholders' Meeting.

10. The Parties are in agreement that no rights to anti-dilution protection under Sec. 1 of the Consolidated Shareholders' Agreement 2012 dated November 12, 2012 shall exist with respect to the 2014 Financing Round. Each of the Preferred Shareholders hereby waives any and all rights to anti-dilution protection it might have under Sec. 1 of the Consolidated Shareholders' Agreement 2012 dated November 12, 2012 with respect to the 2014 Financing Round; each of such waivers is hereby accepted by each of the other Parties.

## Sec. 2

### Second Tranche Capital Increase / Authorized Capital

1. In the Shareholders' Meeting, the Existing Shareholders shall resolve unanimously and with the votes of all Existing Shareholders to authorize the management board of the Company to increase the share capital of the Company up until June 30, 2015 with the consent of the supervisory board by up to EUR 234,877.00 in return for cash contributions by the issuance of up to further 234,877 new preferred shares series C ("**Second Tranche**"), each in registered form, which shall be issued as non-par value shares with a portion of the Company's share capital (*anteiliger Betrag des Grundkapitals*) of EUR 1.00 each ("**Authorized Capital**"). The further preferred shares series C shall be issued for the amount of EUR 1.00 per new share (total issue price). The further preferred shares series C shall have the right to participate in profits as from the beginning of the year of their issuance. The further preferred shares series C under this Sec. 2 shall have the same preferential rights as the preferred shares series C under Sec. 1 above. The statutory subscription rights of the shareholders of the Company shall be excluded. The Authorized Capital shall only be used for the purpose provided in this Sec. 2.
2. The management board with the consent of the supervisory board shall in particular be entitled (i) to invite in its free discretion one or more persons, including Shareholders and/or third parties, ("**Subsequent Investors**") to subscribe for and to take over all or part of the further preferred shares series C by way of utilizing the Authorized Capital and (ii) to exclude the statutory subscription rights of the shareholders of the Company to the extent necessary for the grant of the subscription rights to such Subsequent Investors.
3. Subsequent Investors, who are not already party to this Investment Agreement, are required to accede (*beitreten*) to (i) this Investment Agreement and the CSA 2014, substantially in the form of the joinder commitment attached



hereto as **Exhibit 2.3-1**, and (ii) the Arbitration Agreement thereto, substantially in the form of the Joinder commitment attached hereto as **Exhibit 2.3-2**, (jointly "**Joinder**") before being entitled to participate in the Second Tranche. The Joinder shall (i) ensure that each of the Subsequent Investors has the rights and duties of an Investor, a Holder of Preferred Shares Series C, a Preferred Shareholder, a Shareholder and a Party under this Investment Agreement and the CSA 2014 and (ii) specify the number of new preferred shares series C to be subscribed for by the respective Subsequent Investor. Subsequent Investors who are already party to this Investment Agreement shall specify the number of new preferred shares series C they wish to subscribe for pursuant to this Sec. 2 by way of a subscription statement, substantially in the form as attached hereto as **Exhibit 2.3-3** ("**Subscription Declaration**"). The respective Joinder or Subscription Declaration must be submitted to the Company no later than March 31, 2015, whereby the relevant time shall be the receipt by the Company.

4. Each of the Parties hereby expressly consents to, and hereby offers, the accession of the Subsequent Investors to this Investment Agreement, the CSA 2014 and the Arbitration Agreement and waives the requirement of being notified of such accession (*Verzicht auf den Zugang der Beitrittserklärung gemäß § 151 Satz 1 BGB*).
5. Regarding such capital increase out of the Authorized Capital, each of the Subsequent Investors undertakes individually for himself vis-à-vis each of the Shareholders upon submission of his Joinder or Subscription Declaration, respectively, to subscribe and to take over the new preferred shares series C to the extent as stated in his Joinder or Subscription Declaration and to pay in full and in cash the respective aggregate amount of the total issue price of EUR 1.00 per newly issued preferred share series C subscribed by them out of the Authorized Capital, respectively, within ten bank working days in Frankfurt/Main, Germany after subscription, to a special account of the Company for the increase of capital named by the Company. Payments shall be made exclusively to this special account. The subscriptions shall only become non-binding, if the consummation (*Durchführung*) of the share capital increase has not been registered in the Commercial Register within six months after the date of the resolution of the management board to utilize the Authorized Capital, in which case the Subsequent Investors shall have the (additional) right to request the renewal of the increase of share capital and the subscription. The Company will pass the necessary resolutions based on the conditions provided herein.
6. Each of the Shareholders undertakes individually for himself vis-à-vis each other Shareholder, to do or cause to be done everything necessary or appropriate to implement the measures agreed in this Sec. 2. In particular, the

Shareholders hereby already and irrevocably (i) transfer all their rights for the subscription of further preferred shares series C according to this Sec. 2 to which they are entitled to and (ii) waive any and all potential anti-dilution and subscription rights they might have according to law, the articles of association or the CSA 2014 with regard to the issuance of further preferred shares series C according to this Sec. 2. Such waivers are hereby accepted by the respective other Parties.

7. The management board shall be authorized to determine the further details of the share capital increase pursuant to this Sec. 2 and its consummation with the consent of the supervisory board. The supervisory board shall be authorized to amend the version of the articles of association of the Company after the full or partial consummation of the share capital increase under this Sec. 2 and/or the expiry of the authorization accordingly.

### **Sec. 3**

#### **Non-Statutory Payments and Contributions to the Capital Reserves; Call Option**

1. Subject to the deductions provided for in Sec. 6 para. 2 below, the Holders of Preferred Shares Series C undertake individually for themselves vis-à-vis each of the Shareholders, but not vis-à-vis the Company, to render, in addition to the aggregate amount of the total issue price of EUR 1.00 for each new preferred share series C subscribed by them in the First Tranche under Sec. 1 above, respectively, further payments and contributions into the capital reserves of the Company pursuant to § 272 para. 2 no. 4 German Commercial Code ("**HGB**") as follows:
  - a. Subject to the deductions provided for in Sec. 6 para. 2 below, OrbiMed Private Investments III, LP shall make cash payments in the amount of EUR 1,198,402; provided, however, that OrbiMed Private Investments III, LP shall be entitled to deduct the amounts paid by it on account of the aggregate amount of the total issue price of EUR 1.00 per newly issued preferred share series C to be issued to and subscribed for and taken over by the Lenders pursuant to Sec. 1 para. 4 above from the further payments into the capital reserves of the Company under this Sec. 3. Irrespective of such deduction, any amounts deducted from the further payments into the capital reserves of the Company under the preceding sentence shall be treated as fully rendered by OrbiMed Private Investments III, LP to the Company for all purposes of this Investment Agreement and the CSA 2014. For the avoidance of doubt: After full payment of the amounts

to be paid by OrbiMed Private Investments III, LP on account of the aggregate amount of the total issue price of EUR 1.00 per newly issued preferred share series C to be issued to and subscribed for and taken over by the Lenders pursuant to Sec. 1 para. 4 above, the remainder to be rendered to the capital reserves under this lit. a. amounts to EUR 546,810;

- b. Subject to the deductions provided for in Sec. 6 para. 2 below, OrbiMed Associates III, LP shall make cash payments in the amount of EUR 11,958;
- c. Zydus shall make cash payments in the amount of EUR 1,245,227;
- d. TransConnect Unternehmensberatungs- und Beteiligungs AG shall make cash payments in the amount of EUR 12,937;
- e. BayTech Venture Capital GmbH & Co. KG shall make cash payments in the amount of EUR 106,245;
- f. Each of the Lending Shareholders shall assign to the Company its Repayment Claims (including, for the avoidance of doubt, any and all interest accrued on the corresponding Convertible Loans) and shall waive vis-à-vis the Company any and all claims out of or in connection with the Loan Agreements and the corresponding Convertible Loans, it being understood that a portion of such assignments by the Lenders, in each case equal to the amount set forth in the table in Sec. 1 para. 4 above, shall be rendered by the Lenders on behalf of and to the benefit of OrbiMed Private Investments III, LP.

2. The cash payments into the capital reserves of the Company pursuant to para. 1 lit. a. to lit. e. above shall become due for payment in full to the Special Account within ten bank working days in Frankfurt am Main, Germany after the consummation of the First Tranche and the restated articles of association under Sec. 1 para. 1 above have been registered in the Commercial Register and a corresponding receipt of a notification from the Company in writing, by telefax or e-mail, provided (i) that no insolvency proceedings have been commenced with respect to the Company and/or its assets and that no indisputable application to commence insolvency proceedings is pending, (ii) the payment of Zydus pursuant to para. 1 lit. c. shall not become due until allotment of a unique identification number (“**UIN**”) by the competent authority in India or the lapse of such requirement, and (iii) by way of a condition precedent (*aufschiebende Bedingung*) that the cash payments into the capital reserves of the Company pursuant to para. 1 lit. a. to lit. e. above shall become due for payment only after the passing of the resolutions of the Shareholders’ Meeting set forth in Sec. 1 para. 9 and Sec. 2 paras. 1, 2 and 7 above. Zydus shall use its reasonable best efforts to achieve the allotment of the UIN as soon as practicable and shall inform the Company thereof without undue delay.

3. The assignments to the Company and the waivers vis-à-vis the Company pursuant to para. 1 lit. f. above shall become due in full within ten bank working days in Frankfurt am Main, Germany after receipt of a notification from the Company in writing, by telefax or e-mail that the Company has received the cash payments into the capital reserves of the Company pursuant to para. 1 lit. a. to lit. e. above.
4. Each of the Lenders severally not jointly (*teilschuldnerisch*) shall indemnify, defend and hold harmless (*freistellen*) OrbiMed Private Investments III, LP from and against any losses, claims, damages, demands, actions, taxes, liabilities or expenses arising as a result of OrbiMed Private Investments III, LP paying the amounts set forth in Sec. 1 para. 4 above on account of the aggregate amount of the total issue price of EUR 1.00 per newly issued preferred share series C to be issued to and subscribed for and taken over by the Lenders under Sec. 1 para. 2 above on behalf of and to the benefit of the Lenders.
5. Each of the Subsequent Investors undertakes individually for himself vis-à-vis each Shareholder, but not vis-à-vis the Company, to render, in addition to the aggregate amount of the total issue price of EUR 1.00 for each new preferred share series C subscribed by him in the Second Tranche under Sec. 2 above, further payments into the capital reserves of the Company pursuant to § 272 para. 2 no. 4 German Commercial Code (*HGB*) in cash in the amount of EUR 5.0373 (equal to USD 6.75) per share subscribed by him in the Second Tranche. These further payments into the capital reserves of the Company shall become due for payment in full to the Special Account within ten bank working days in Frankfurt/Main, Germany after receipt of a notification by the respective Subsequent Investor from the Company in writing, by telefax or e-mail that the consummation of the respective portion of the Second Tranche has been registered in the Commercial Register.
6. The obligations of the Investors, Lending Shareholders and Subsequent Investors to render further payments and contributions into the capital reserves of the Company pursuant to this Sec. 3 shall exist only on the basis of a contractual agreement among the Shareholders and the Investors, Lending Shareholders and Subsequent Investors, but not vis-à-vis the Company. The Company itself shall not be a party to this Sec. 3 and shall not be entitled to demand the payments and contributions pursuant to this Sec. 3. This Sec. 3 shall not constitute an agreement in favour of third parties (*kein Vertrag zugunsten Dritter*). The claims under this Sec. 3 cannot be assigned.
7. Zydus hereby irrevocably offers the other Shareholders to transfer and assign for free, i.e. without consideration, 83.43 % of the new preferred shares

series C subscribed for by it pursuant to Sec. 1 para. 2, i.e. 206,331 new preferred shares series C (“**Option Shares**”) to such other Shareholders on a pro rata basis (“**Offer**”). Acceptance of the Offer by the respective Shareholders shall be possible only if Zydus (i) does not receive the UIN and (ii) does not render the payments into the capital reserves of the Company pursuant to para. 1 lit. c. within six (6) months following the date of this Agreement (“**Longstop Period**”); the Longstop Period can be extended with the approval of the Investor Majority. Acceptance of the Offer must be made in writing to Zydus by the other Shareholders and shall always only be effective in the number of Option Shares to which the respective Shareholder is entitled to. Zydus and the other Shareholders hereby agree to the assignment (*Abtretung*) of the Option Shares the transfer of which has been accepted in accordance with this para. 7. Following acceptance of the Offer the Option Shares shall be converted to common shares of the Company.

#### **Sec. 4 Use of Proceeds**

The proceeds from the 2014 Financing Round shall be used to fund working capital needs, capital expenditures and general corporate purposes of the Company in accordance with the then-current budget of the Company, as adapted and modified with the approval of the supervisory board from time to time.

#### **Sec. 5 Representations and Warranties**

1. Stephen Yoder in his capacity as member of the management board of the Company gives, within the meaning and with the legal consequences set forth in this Sec. 5, unless otherwise stated regardless of fault or negligence (*ohne Rücksicht auf Verschulden*), the representations and warranties which are in detail included in **Exhibit 5.1** to this Investment Agreement, subject to the provisions of this Sec. 5, to each of the Holders of Preferred Shares Series C.
2. The representations and warranties within the meaning of this Investment Agreement and **Exhibit 5.1** hereto and the right to demand damages in relation thereto constitute a special agreement negotiated and agreed upon between the Parties specifically for the purposes of this 2014 Financing Round in accordance with § 311 para. 1 German Civil Code (*BGB*); accordingly, unless

otherwise stated, claims for damages under this Sec. 5 do not require intent or negligence (*Vorsatz oder Fahrlässigkeit*) of Stephen Yoder. Further, the representations and warranties within the meaning of this Investment Agreement and **Exhibit 5.1** hereto are subject to all the limitations set forth in this Investment Agreement and **Exhibit 5.1** hereto, in particular, any limitation set forth in the respective statement contained in **Exhibit 5.1** hereto and the limitations on damages set forth in this Sec. 5. The Parties agree that none of the representations and warranties contained in this Investment Agreement and **Exhibit 5.1** hereto constitutes a guarantee with respect to the quality of the object of sale (*Garantie für die Beschaffenheit der Sache*) within the meaning of § 443 and § 444, 2<sup>nd</sup> alternative BGB. The legal consequences of a possible violation of the representations and warranties shall be determined exclusively pursuant to this Sec. 5. The Parties further agree that the provisions of §§ 434 through 453 BGB relating to defects in quality or in title shall not apply to any representation or warranty contained in this Investment Agreement or **Exhibit 5.1** hereto. §§ 377 et seq. HGB shall not apply.

3. In the event that the representations and warranties set forth in **Exhibit 5.1** hereto are not fully true and correct, then the Shareholders to the exclusion of other remedies shall resolve in favor of an increase of the Company's share capital (hereinafter referred to as the "**Compensatory Share Capital Increase**") upon the demand of one or more of the Holders of Preferred Shares Series C. The Compensatory Share Capital Increase shall be resolved and completed without undue delay after the demand by any of the Holders of Preferred Shares Series C. Each of the Holders of Preferred Shares Series C individually may request his participation in the Compensatory Share Capital Increase without being obliged to do so. As part of the Compensatory Share Capital Increase, the Holders of Preferred Shares Series C, who request this, shall be invited, to the exclusion of the other Shareholders' subscription rights, to subscribe to additional preferred shares series C in return for cash contributions at the portion of the Company's share capital attributable to one share (*anteiliger Betrag des Grundkapitals*) without premium or other contributions into the capital reserves of the Company, by means of which the Holders of Preferred Shares Series C shall receive such participation in the Company's share capital as they each would have held, if they had invested the funds committed under this Investment Agreement (including, for the avoidance of doubt, the respective Repayment Claims) and the additional funds provided in the Compensatory Share Capital Increase from the start at the Reduced Valuation (as defined below), thereby applying a discount on the Reduced Valuation with respect to the conversion of the Convertible Loans as provided in the Loan Agreements. The "**Reduced Valuation**" shall be equal to a pre-money valuation of the Company

fully-diluted of EUR 11,194,029 (equaling USD 15,000,000) after the conversion of the first EUR 3,000,000 of the Convertible Loans advanced to the Company prior to September 4, 2014 into new preferred shares series C less the amount of all damages arising as a result of all breaches of the representations and warranties; provided, however, that the Reduced Valuation in no event shall be less than EUR 6,000,000 (equaling USD 8,040,000). Each of the Shareholders undertakes individually for himself vis-à-vis each Holder of Preferred Shares Series C, to do or cause to be done everything necessary to implement the Compensatory Share Capital Increase. Thus, the Shareholders undertake in particular to co-operate in the Compensatory Share Capital Increase as described by exercising their voting rights in the shareholders' meetings of the Company and in the special resolutions of the different classes of shares accordingly, and to waive the subscription rights to which they are entitled for the subscription to new shares to the extent described. Stephen Yoder shall be obliged to pay to the Holders of Preferred Shares Series C in cash an amount equal to the portion of the Company's share capital attributable to one share required for the Holders of Preferred Shares Series C to pay the total issue price of the additional shares issued in the Compensatory Share Capital Increase; provided, however, that this liability shall, except in case of an intentional breach of the representations and warranties, be limited to EUR 25,000, among the Holders of Preferred Shares Series C pro rata to the number of preferred shares series C held by them, respectively. If the Parties cannot agree on the Reduced Valuation within two calendar weeks after any of the Holders of Preferred Shares Series C has demanded a Compensatory Share Capital Increase, then the Reduced Valuation shall be determined by an independent auditor to be appointed as arbitration expert (*Schiedsgutachter*) by the Shareholders with a simple majority of capital of all shares in the Company and a simple majority of capital of all preferred shares series C. If the Shareholders have not so appointed an arbitration expert within two weeks after the request of any Shareholder to do so, the arbitration expert shall be appointed by the Industrie- und Handelskammer für München und Oberbayern. The determination by the arbitration expert shall be final and binding on all Parties. The costs of the arbitration expert and the Industrie- und Handelskammer für München und Oberbayern, if any, shall be borne by the Parties applying §§ 91 *et seq.* ZPO (German Code of Civil Procedure) *mutatis mutandis*.

4. Claims for damages under this Sec. 5 may only be brought, if the aggregate loss arising as a result of all breaches of the representations and warranties exceeds the amount of EUR 100,000; if this limit is exceeded, then the entire loss arising (and not only the excess) shall be replaced in accordance with Sec. 5 para. 3 above.

5. All claims to which the Holders of Preferred Shares Series C may be entitled under this Sec. 5 shall be barred under the statute of limitations (*verjähren*) after September 1, 2016; provided, however, that claims which relate to representations and warranties in connection with public law charges (taxes, customs, duties, social security contributions) in the business operations of the Company (including the representation and warranty that sufficient reserves have been created for such risks), shall be barred under the statute of limitations six months after the respective notice of assessment of the tax authority or the social security institution fixing an additional public law charge becomes binding (*formelle und materielle Bestandskraft*). The statute of limitations is interrupted in respect of an alleged misrepresentation or breach of warranties at the time of the receipt of a written instrument describing in reasonable detail the facts on which such alleged misrepresentation or breach is based by Stephen Yoder. The statute of limitations under this para. 5 shall not apply to claims based on willful misconduct (*Vorsatz*).
6. The claims of the Holders of Preferred Shares Series C under this Sec. 5 shall be the exclusive remedy of the Holders of Preferred Shares Series C for any breach of the representations and warranties included in **Exhibit 5.1** to this Investment Agreement and override any claims of the Holders of Preferred Shares Series C based on any other legal basis relating to representations and warranties, including, but not limited to (i) claims pursuant to § 433 para. 1 sentence 2, § 434 *et seq.* BGB, § 311 para. 2 No. 1, §§ 275 *et seq.* and § 280 BGB, and (ii) the right to terminate, cancel, rescind (*zurücktreten*) and/or void (*anfechten*) this Investment Agreement, in particular for any incorrectness or incompleteness of the representations and warranties or based upon them or for defects in substance or in title or for breach of contractual or pre-contractual protection duties (*Schutzpflichten*). All such other rights shall be excluded, provided that remedies to which any Party may be entitled to with respect to any willful or deliberate (*vorsätzlich*) material breach of this Investment Agreement shall remain unaffected.

## Sec. 6 Transaction Costs

1. Each of the Parties shall bear its own legal and other costs and expenses in connection with the 2014 Financing Round, provided that the Company shall also bear the following external costs and expenses in connection with the 2014 Financing Round as costs for the provision of further capital:
  - a. The reasonable external legal and other costs and expenses of OrbiMed Private Investments III, LP and OrbiMed Associates III, LP (jointly "**OrbiMed**") in connection with the 2014 Financing Round up to a maximum amount of EUR 50,000 plus VAT (if any) upon presentation of corresponding invoices;



- b. The legal fees of Orrick, Herrington & Sutcliffe LLP in connection with the 2014 Financing Round; and
  - c. Notary and court costs and similar expenses associated with the consummation of the 2014 Financing Round as well as all transaction taxes, if any.
2. All payments pursuant to this Sec. 6 shall be made within two weeks after invoicing. OrbiMed shall be entitled to reimbursement of costs and expenses to the extent that these costs and expenses shall be borne by the Company pursuant to para. 1 above and shall be entitled to deduct such amounts from the further payments into the capital reserves of the Company under Sec. 3 para. 1 a. and b. above. Irrespective of such deduction, any amounts deducted from the further payments into the capital reserves of the Company under the preceding sentence shall be treated as fully rendered by OrbiMed to the Company for all purposes of this Investment Agreement and the CSA 2014.

**Sec. 7**  
**Final Provisions**

1. Each of the Investors shall be entitled to transfer its rights and obligations under this Investment Agreement together with the shares to which such rights and obligations relate in whole or in part to other Investors or to other companies, provided that these companies in each case are affiliated with the transferring Investor within the meaning of § 15 AktG. In addition, each of the Investors shall be entitled to transfer its rights and obligations under this Investment Agreement together with the shares to which such rights and obligations relate in whole or in part to other investment companies or equity funds whose business is managed or which are advised by the transferring Investor, a company affiliated with the transferring Investor within the meaning of § 15 AktG, a general partner or a management company of the transferring Investor. This para. 1 shall not apply to the transfer to a portfolio company of the respective Investor.
2. Each of the Shareholders undertakes individually for himself vis-à-vis each other Shareholder, to impose on his individual legal successors, if any, the rights and obligations arising under this Investment Agreement in such a way, that his individual legal successors are bound by the rights and obligations under this Investment Agreement as if they had themselves undertaken these rights and obligations. This shall also apply to the obligation undertaken in this para. 2 to impose the rights and obligations under this Investment Agreement on any individual legal successors.

3. The Investors, Shareholders or Subsequent Investors, respectively, are entitled to the rights attributed to the Investors, Shareholders or Subsequent Investors, as applicable, under this Investment Agreement to the exclusion of any joint entitlement, i.e. in such a way that each of the Investors, Shareholders or Subsequent Investors, respectively, may each individually exercise the rights to which they are entitled, unless otherwise expressly provided. Joint and several liability (*gesamtschuldnerische Haftung*) of the Investors, Shareholders or Subsequent Investors, respectively, shall be excluded, in particular without limitation for the total issue price of the new preferred shares series C under Secs. 1 and 2 above and the further payments and contributions into the capital reserves of the Company under Sec. 3 above.
4. Amendments and additions to this Investment Agreement must be made in writing to be effective, to the extent that notarization is not required. This shall also apply to a waiver of the written form requirement.
5. Should individual terms of this Investment Agreement be or become invalid or unenforceable or if this Investment Agreement contains gaps, this shall not affect the validity of the remaining terms of this Investment Agreement or the CSA 2014. In place of the invalid, unenforceable or missing term, such valid term which the Parties would reasonably have agreed, had they been aware at the conclusion of this Investment Agreement that the relevant term was invalid, unenforceable or missing, shall be deemed to have been agreed. Should a term of this Investment Agreement be or become invalid because of the scope or time of performance for which it provides, then the agreed scope or time of performance shall be amended to correspond with the extent legally permitted. The Parties are aware of the German Federal Supreme Court's (*Bundesgerichtshof*) case-law, whereby a severability clause merely reverses the burden of proof. However, it is the Parties' express intention to maintain the validity of the remaining provisions at all events and thus to exclude the applicability of § 139 German Civil Code (*BGB*) as a whole.
6. Prior to any announcement, the Company and the Investors shall agree upon the form and contents of any press release with respect to the 2014 Financing Round.
7. This Investment Agreement is governed by and shall be construed in accordance with the laws of the Federal Republic of Germany, without regard to its provisions of private international law and excluding the UN Sales Convention (CISG).

8. To the extent legally permissible, place of venue and performance shall be Munich, Germany. All disputes arising out of or in connection with this Investment Agreement shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law and according to the Arbitration Agreement enclosed as **Exhibit 7.8**. This shall include disputes regarding the validity, the performance or the termination of this Investment Agreement in whole or in part including possible amendments of the same. The place of arbitration is Munich, Germany. The arbitration tribunal consists of three arbitrators. The language of the arbitration proceedings is English.
9. The Exhibits to this Investment Agreement are an essential part of it. The headings in this Investment Agreement only serve for a better orientation and are of no significance for the contents and interpretation of this Investment Agreement. Explanations in a provision or Exhibit to this Investment Agreement are also deemed to be listed for purposes of all other provisions or Exhibits.
10. German definitions in this document shall take precedence over the respective English terms.

Munich, October 10, 2014

          /s/ i.V. Th. Strassner          /s/ Hans Küpper            
Pieris AG  
*(represented by the management board and the supervisory board)*

          /s/ i.V. Th. Strassner            
Dr. Steffen Schlehuber

          /s/ i.V. Th. Strassner            
Dr. Karsten Schürle

          /s/ i.V. Th. Strassner            
BioM Aktiengesellschaft Munich BioTech Development

          /s/ i.V. Th. Strassner            
Prof. Skerra Beteiligungsgesellschaft mbH

          /s/ i.V. Th. Strassner            
Claus Schalper

          /s/ i.V. Th. Strassner            
MAPO Beteiligungsgesellschaft mbH

          /s/ i.V. Th. Strassner            
BioM Venture Capital GmbH & Co. Fonds KG

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/s/ i.V. Th. Strassner

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TransConnect Unternehmensberatungs- und Beteiligungs AG

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/s/ i.V. Th. Strassner

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The Global Life Science Ventures Fund II Limited Partnership

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/s/ i.V. Th. Strassner

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BayTech Venture Capital GmbH & Co. KG

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/s/ Jiang Bian

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KfW

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/s/ i.V. Th. Strassner

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OrbiMed Private Investments III, LP

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/s/ i.V. Th. Strassner

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Novo Nordisk A/S

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/s/ i.V. Th. Strassner

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The Global Life Science Ventures Fonds II GmbH & Co. KG

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/s/ i.V. Th. Strassner

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Gilde Europe Food & Agribusiness Fund B.V.

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/s/ i.V. Th. Strassner

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Coöperatieve AAC LS U.A.

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/s/ i.V. Th. Strassner

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Technologie Beteiligungsfonds Bayern II GmbH & Co. KG

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/s/ i.V. Th. Strassner

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OrbiMed Associates III, LP

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/s/ i.V. Th. Strassner

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Cadila Healthcare Ltd.

## Table of Exhibits to the Investment Agreement

<b>Exhibit A</b>	Existing Shareholders
<b>Exhibit B</b>	Investors / Holders of Preferred Shares Series C
<b>Exhibit C</b>	CSA 2014
<b>Exhibit 1.1</b>	Restated Articles of Association
<b>Exhibit 2.3-1</b>	Joinder of Subsequent Investor to the Investment Agreement and the CSA 2014
<b>Exhibit 2.3-2</b>	Joinder of Subsequent Investor to the Arbitration Agreement
<b>Exhibit 2.3-3</b>	Subscription Declaration
<b>Exhibit 5.1</b>	Representations and Warranties
<b>Exhibit 7.8</b>	Arbitration Agreement

### Exhibits to Representations and Warranties

<b>Exhibit 5.1.B.1</b>	Audited financial statements as of December 31, 2013
<b>Exhibit 5.1.B.2</b>	Unaudited interim statements as of August 31, 2014
<b>Exhibit 5.1.D.2</b>	Litigation
<b>Exhibit 5.1.D.3</b>	IP
<b>Exhibit 5.1.D.4</b>	Material Contracts
<b>Exhibit 5.1.E</b>	Employees

## **Exhibit A**

1. Prof. Skerra Beteiligungsgesellschaft mbH, Max-Lehner-Straße 19, 85354 Freising, Germany
2. Dr. Steffen Schlehuber, In den Kappesgärten 22, 67152 Ruppertsberg, Germany
3. Claus Schalper, Kaiser-Ludwig-Platz 1, 80336 Munich, Germany
4. Dr. Karsten Schürle, Palmstraße 7, 60316 Frankfurt a.M., Germany
5. MAPO Beteiligungsgesellschaft mbH, Hubertusweg 34, 85540 Haar, Germany
6. BioM Aktiengesellschaft Munich BioTech Development, Am Klopferspitz 19 a, 82152 Planegg-Martinsried, Germany
7. BioM Venture Capital GmbH & Co. Fonds KG, Am Klopferspitz 19 a, 82152 Planegg-Martinsried, Germany
8. TransConnect Unternehmensberatungs- und Beteiligungs AG, Prinzregentenstraße 56, 80538 Munich, Germany
9. The Global Life Science Ventures Fonds II GmbH & Co. KG, Von-der-Tann-Straße 3, 80539 Munich, Germany
10. The Global Life Science Ventures Fund II Limited Partnership, PO Box 431, Alexander House,13-15 Victoria Road, St. Peter Port, Guernsey, G41 3ZD
11. Gilde Europe Food & Agribusiness Fund B.V., Newtonlaan 91, 3584 BP Utrecht, The Netherlands
12. Coöperatieve AAC LS U.A., Gooimeer 2-35, P.O. Box 5187, 1410 AD Naarden, The Netherlands
13. BayTech Venture Capital GmbH & Co. KG, Herzog-Heinrich-Straße 22, D-80336 Munich, Germany
14. KfW, Ludwig-Erhard-Platz 1-3, 53179 Bonn, Germany
15. Technologie Beteiligungsfonds Bayern II GmbH & Co. KG, Ländgasse 135a, 84028 Landshut, Germany
16. OrbiMed Private Investments III, LP, 601 Lexington Avenue, 54<sup>th</sup> Floor, New York, NY 10022, USA;
17. OrbiMed Associates III, LP, 601 Lexington Avenue, 54<sup>th</sup> Floor, New York, NY 10022, USA;
18. Novo Nordisk A/S, Novo Allé, 2880 Bagsværd, Denmark.

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**Exhibit B**

1. OrbiMed Private Investments III, LP, 601 Lexington Avenue, 54<sup>th</sup> Floor, New York, NY 10022, USA
2. OrbiMed Associates III, LP, 601 Lexington Avenue, 54<sup>th</sup> Floor, New York, NY 10022, USA
3. Cadila Healthcare Ltd., Zydus Tower, Satellite Cross Roads, Ahmedabad - 380 015, India
4. Novo Nordisk A/S, Novo Allé, 2880 Bagsværd, Denmark
5. TransConnect Unternehmensberatungs- und Beteiligungs AG, Prinzregentenstraße 56, 80538 Munich, Germany
6. BioM Aktiengesellschaft Munich BioTech Development, Am Klopferspitz 19 a, 82152 Planegg-Martinsried, Germany
7. The Global Life Science Ventures Fonds II GmbH & Co. KG, Von-der-Tann-Straße 3, 80539 Munich, Germany
8. The Global Life Science Ventures Fund II Limited Partnership, PO Box 431, Alexander House,13-15 Victoria Road, St. Peter Port, Guernsey, G41 3ZD
9. Gilde Europe Food & Agribusiness Fund B.V., Newtonlaan 91, 3584 BP Utrecht, The Netherlands
10. BayTech Venture Capital GmbH & Co. KG, Herzog-Heinrich-Straße 22, D-80336 Munich, Germany
11. Coöperatieve AAC LS U.A., Gooimeer 2-35, P.O. Box 5187, 1410 AD Naarden, The Netherlands







**Joinder**

to the

**Pieris AG**

**INVESTMENT AGREEMENT and CSA 2014**

dated 2014

On October 10, 2014, Pieris AG (“**Company**”) closed the 2014 Financing Round. To this end, the shareholders of the Company, the Company and further parties have entered into an investment agreement Pieris AG, Freising, Germany dated October 10, 2014 (“**Investment Agreement**”) and a consolidated shareholders’ agreement 2014 Pieris AG, Freising, Germany dated October 10, 2014 (“**CSA 2014**”). Capitalized terms used but not defined herein shall have the same meaning as given to them in any definitions in the Investment Agreement and/or the CSA 2014.

Pursuant to Sec. 2 of the Investment Agreement, the undersigned

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[insert name and address of Subsequent Investor]

hereby becomes a party to the Investment Agreement and the CSA 2014 with the rights and duties of a Subsequent Investor, an Investor, a Holder of Preferred Shares Series C, a Preferred Shareholder, a Shareholder and a Party. To the extent that the Investment Agreement and/or the CSA 2014 refer to “Subsequent Investor(s)” and / or “Investor(s)” and / or “Holder(s) of Preferred Shares Series C” and / or “Preferred Shareholder(s)” and / or “Shareholder(s)” and / or “Party” / “Parties”, this shall encompass [insert name of Subsequent Investor] as well.

The total investment of [insert name of Subsequent Investor] under the Investment Agreement amounts to

**EUR** .

- 28 / 35 -

Thus, [insert name of Subsequent Investor] will subscribe and take over new preferred shares series C in registered form under Sec. 2 of the Investment Agreement for the amount of EUR 1.00 per new preferred share series C, and moreover render further payments into the capital reserves of the Company pursuant to § 272 para. 2 No. 4 HGB in cash in the amount of EUR 5.0373 (equaling approx. USD 6.75) per new preferred share series C pursuant to Sec. 3 paras. 5 and 6 of the Investment Agreement.

[place], [date]

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([insert name of Subsequent Investor])

**Joinder**

to the

**Pieris AG**

**ARBITRATION AGREEMENT**

dated 2014

On October 10, 2014, Pieris AG (“**Company**”) closed the 2014 Financing Round. To this end, the shareholders of the Company, the Company and further parties have entered into an investment agreement Pieris AG, Freising, Germany dated October 10, 2014 (“**Investment Agreement**”), a consolidated shareholders’ agreement 2014 Pieris AG, Freising, Germany dated October 10, 2014 (“**CSA 2014**”) and an arbitration agreement of even date (“**Arbitration Agreement**”). Capitalized terms used but not defined herein shall have the same meaning as given to them in any definitions in the Investment Agreement and/or the CSA 2014 and/or the Arbitration Agreement.

On the day hereof, the undersigned

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\_\_\_\_\_  
\_\_\_\_\_

[insert name and address of Subsequent Investor]

joined and became a party to the Investment Agreement and the CSA 2014 by submission of a separate joinder commitment with the rights and duties of a Subsequent Investor, an Investor, a Holder of Preferred Shares Series C, a Preferred Shareholder, a Shareholder and a Party.

The undersigned

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

[insert name and address of Subsequent Investor]

hereby becomes also a party to the Arbitration Agreement.

Thus, place of venue and performance with regard to all disputes arising out of the Investment Agreement and the CSA 2014 shall, to the extent legally permissible, be Munich, Germany. All disputes arising out of or in connection with the Investment Agreement and/or the CSA 2014 shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law. This shall include disputes regarding the validity, the performance or the termination of the Investment Agreement and/or the CSA 2014 in whole or in part including possible amendments of the same. The place of arbitration is Munich, Germany. The arbitration tribunal consists of three arbitrators. The language of the arbitration proceedings is English.

[place],

[date]

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(insert name of Subsequent Investor)

**Declaration to Subscribe for Further New Shares (2nd Tranche)**

of

**Pieris AG**

On October 10, 2014, Pieris AG (“**Company**”) closed the 2014 Financing Round, and the shareholders of the Company, the Company and further parties have entered into an investment agreement Pieris AG, Freising, Germany dated October 10, 2014 (“**Investment Agreement**”) and a consolidated shareholders’ agreement 2014 Pieris AG, Freising, Germany dated October 10, 2014 (“**CSA 2014**”). Capitalized terms used but not defined herein shall have the same meaning as given to them in any definitions in the Investment Agreement and/or the CSA 2014.

Pursuant to Sec. 2 of the Investment Agreement, the undersigned

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\_\_\_\_\_  
\_\_\_\_\_  
[insert name and address of Investor]

hereby agrees to invest in the course of the Second Tranche under the Investment Agreement a further amount of

**EUR** .

Thus, [insert name of Investor] will subscribe and take over further new preferred shares series C in registered form under Sec. 2 of the Investment Agreement for the amount of EUR 1.00 per new preferred share series C, and moreover render further payments into the capital reserves of the Company pursuant to § 272 para. 2 No. 4 HGB in cash in the amount of EUR 5.0373 (equaling approx. USD 6.75) per new preferred share series C subscribed under Sec. 2 of the Investment Agreement pursuant to Sec. 3 paras. 5 and 6 of the Investment Agreement.

[place], [date]

\_\_\_\_\_  
([insert name of Investor])



**Arbitration Agreement**

With regard to all disputes arising out of the Investment Agreement and the Consolidated Shareholders' Agreement 2014 both dated October 10, 2014 of Pieris AG, Lise-Meitner-Straße 30, 85354 Freising, Germany, the Parties agree on the following arbitration clause:

Place of venue and performance shall, to the extent legally permissible, be Munich, Germany. All disputes arising out of or in connection with the Investment Agreement and/or the Consolidated Shareholders' Agreement 2014 shall be finally settled in accordance with the Arbitration Rules of the German Institution of Arbitration e.V. (DIS) without recourse to the ordinary courts of law. This shall include disputes regarding the validity, the performance or the termination of the Investment Agreement and/or the Consolidated Shareholders' Agreement 2014 in whole or in part including possible amendments of the same. The place of arbitration is Munich, Germany. The arbitration tribunal consists of three arbitrators. The language of the arbitration proceedings is English.

Munich, October 10, 2014

/s/ Hans Küpper /s/ i.V. Th. Strassner

Pieris AG

*(represented by the management board and the supervisory board)*

/s/ i.V. Th. Strassner

Dr. Steffen Schlehübler

/s/ i.V. Th. Strassner

Dr. Karsten Schürle

/s/ i.V. Th. Strassner

BioM Aktiengesellschaft Munich BioTech Development

/s/ i.V. Th. Strassner

Prof. Skerra Beteiligungsgesellschaft mbH

/s/ i.V. Th. Strassner

Claus Schalper

/s/ i.V. Th. Strassner

MAPO Beteiligungsgesellschaft mbH

/s/ i.V. Th. Strassner

BioM Venture Capital GmbH & Co. Fonds KG



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/s/ i.V. Th. Strassner

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TransConnect Unternehmensberatungs- und Beteiligungs AG

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/s/ i.V. Th. Strassner

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The Global Life Science Ventures Fund II Limited Partnership

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/s/ i.V. Th. Strassner

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BayTech Venture Capital GmbH & Co. KG

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/s/ i.V. Th. Strassner

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KfW

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/s/ i.V. Th. Strassner

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OrbiMed Private Investments III, LP

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/s/ i.V. Th. Strassner

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Novo Nordisk A/S

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/s/ i.V. Th. Strassner

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The Global Life Science Ventures Fonds II GmbH & Co. KG

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/s/ i.V. Th. Strassner

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Gilde Europe Food & Agribusiness Fund B.V.

---

/s/ i.V. Th. Strassner

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Coöperatieve AAC LS U.A.

---

/s/ i.V. Th. Strassner

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Technologie Beteiligungsfonds Bayern II GmbH & Co. KG

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/s/ i.V. Th. Strassner

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OrbiMed Associates III, LP

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/s/ i.V. Th. Strassner

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Cadila Healthcare Ltd.

**Agreement**

by and between

1. Pieris AG, whose principal place of business is at Lise-Meitner-Str. 30, 85354 Freising, Germany, represented by its member of the management board Stephen Yoder  
- hereinafter referred to as the “**the Company**” -
- and
2. OrbiMed Private Investments III, LP, 601 Lexington Avenue, 54th Floor, New York, NY 10022, USA  
- hereinafter referred to as “**Lender 1**” -
3. OrbiMed Associates III, LP, 601 Lexington Avenue, 54th Floor, New York, NY 10022, USA  
- hereinafter referred to as “**Lender 2**” -
4. Novo Nordisk A/S, Novo Allé, 2880 Bagsværd, Denmark  
- hereinafter referred to as “**Lender 3**” -
5. TransConnect Unternehmensberatungs- und Beteiligungs AG, Prinzregentenstraße 56, 80538 Munich, Germany  
- hereinafter referred to as “**Lender 4**” -
6. BioM Aktiengesellschaft Munich BioTech Development, Am Klopferspitz 19 a, 82152 Planegg-Martinsried, Germany  
- hereinafter referred to as “**Lender 5**” -
7. The Global Life Science Ventures Fonds II GmbH & Co. KG, Von-der-Tann-Straße 3, 80539 Munich, Germany  
- hereinafter referred to as “**Lender 6**” -
8. The Global Life Science Ventures Fund II Limited Partnership, PO Box 431, Alexander House, 13-15 Victoria Road, St. Peter Port, Guernsey, G41 3ZD  
- hereinafter referred to as “**Lender 7**” -

9. Gilde Europe Food & Agribusiness Fund B.V., Newtonlaan 91, 3584 BP Utrecht, The Netherlands

- hereinafter referred to as “**Lender 8**” -

10. BayTech Venture Capital GmbH & Co. KG, Herzog-Heinrich-Straße 22, D-80336 Munich, Germany

- hereinafter referred to as “**Lender 9**” -

11. Coöperatieve AAC LS U.A., Gooimeer 2-35, P.O. Box 5187, 1410 AD Naarden, The Netherlands

- hereinafter referred to as “**Lender 10**” -

The parties named under 2. to 11. above are hereinafter also collectively referred to as the “**Lenders**” and each individually as a “**Lender**”. The parties named under 1. to 11. above are hereinafter also collectively referred to as the “**Parties**” and each individually as a “**Party**”.

#### Preamble

A. On November 12, 2012, as amended in March 2014, and on April 14, 2014, the Company and its shareholders entered into agreements regarding convertible bridge loans (*Wandeldarlehen*) (jointly the “**Loan Agreements**”) totaling to a loan amount of EUR 4,000,000.00 (the “**Loans**”).

B. The Lenders have provided to the Company loan facilities under the Loans, which are currently outstanding as follows:

<u>Lender</u>	<u>Loan Amount 2012 (EUR)</u>	<u>Loan Amount 2014 (EUR)</u>	<u>Total (EUR)</u>
OrbiMed Private Investments III, LP	492.113	797.987	1.290.100 (“ <b>Loan 1</b> ”)
OrbiMed Associates III, LP	4.687	5.001	9.688 (“ <b>Loan 2</b> ”)
Novo Nordisk A/S	199.606	199.606	399.212 (“ <b>Loan 3</b> ”)
TransConnect Unternehmensbera-tungs- und Beteiligungs AG	50.285	53.659	103.944 (“ <b>Loan 4</b> ”)
BioM Aktiengesellschaft Munich Bio-Tech Development	164.751	13.747	178.498 (“ <b>Loan 5</b> ”)
The Global Life Science Ventures Fonds II GmbH & Co. KG	252.173	168.746	420.919 (“ <b>Loan 6</b> ”)
The Global Life Science Ventures Fund II LP	196.145	131.254	327.399 (“ <b>Loan 7</b> ”)
Gilde Europe Food & Agribusiness Fund B.V.	421.015	300.000	721.015 (“ <b>Loan 8</b> ”)
BayTech Venture Capital GmbH & Co. KG	0	200.000	200.000 (“ <b>Loan 9</b> ”)
Coöperatieve AAC LS U.A.	219.225	130.000	349.225 (“ <b>Loan 10</b> ”)
<b>Total</b>	<b>2.000.000</b>	<b>2.000.000</b>	<b>4.000.000</b>

- C. On October 10, 2014 the Parties and the other shareholders of the Company together with further investors have entered into an investment agreement (“**Investment Agreement**”). Pursuant to Sec. 3 para. 1 lit. f. of the Investment Agreement each of the Lenders undertook vis-à-vis each of the shareholders of the Company, but not vis-à-vis the Company, to assign to the Company its claim for repayment of the outstanding loan facilities as stated in the table under lit. B. above and any and all interest accrued thereon and to waive vis-à-vis the Company any and all claims out of or in connection with the Loan Agreements and the corresponding Loans.

NOW, THEREFORE, the Parties hereby agree as follows.

## §1

### Non-Statutory Contributions into the Capital Reserves

- Each of the Lenders hereby renders further contributions into the capital reserves of the Company pursuant to § 272 para. 2 No. 4 German Commercial Code (*sonstige Leistungen in die Kapitalrücklage der Gesellschaft gemäß § 272 Abs. 2 Nr. 4 HGB*) by way of an assignment to the Company of the full outstanding principal amount of the Loans paid by him to the Company and any and all interest accrued thereon, in each case under the condition that they are credited to the capital reserves of the Company within the meaning of § 272 para. 2 No. 4 HGB. The Company hereby accepts each of such assignments.
- A portion of the further contributions by the Lenders set forth in the below table into the capital reserves of the Company pursuant to para. 1 above shall be rendered by such Lenders on behalf of and to the benefit of OrbiMed Private Investments III, LP (“**OrbiMed LP**”) as set forth in the following table:

<u>Lender</u>	<u>Contribution on behalf of and to the benefit of OrbiMed LP (EUR)</u>
Novo Nordisk A/S	103,296
BioM Aktiengesellschaft Munich BioTech Development	55,625
The Global Life Science Ventures Fonds II GmbH & Co. KG	114,060
The Global Life Science Ventures Fund II LP	88,717
Gilde Europe Food & Agribusiness Fund B.V.	194,028
Coöperatieve AAC LS U.A.	95,866
<b>Total</b>	<b>651,592</b>

**§2**  
**Settlement of the Loan Agreements**

Each of the Lenders hereby waives vis-à-vis the Company any and all further rights and claims the respective Lender might have out of or in connection with the Loan Agreements and the corresponding Loans. The Company hereby accepts each of such waivers. Each of the Lenders on the one hand and the Company on the other hand hereby agree that following the assignment under § 1 above, any and all rights and claims under the Loan Agreements are finally settled.

**§3**  
**Final Provisions**

1. Any joint and several liability (*gesamtschuldnerische Haftung*) of the Lenders shall be excluded.
2. Amendments and additions to this Agreement must be made in writing to be effective. This shall also apply to a waiver of the written form requirement as well as to a waiver of any right or claim under this Agreement.
3. Should individual terms of this Agreement be or become invalid or unenforceable or if this Agreement contains gaps, this shall not affect the validity of the remaining terms of this Agreement. In place of the invalid, unenforceable or missing term, such valid term which the Parties would reasonably have agreed, had they been aware at the conclusion of this Agreement that the relevant term was invalid, unenforceable or missing, shall be deemed to have been agreed. Should a term of this Agreement be or become invalid because of the scope or time of performance for which it provides, then the agreed scope or time of performance shall be amended to correspond with the extent legally permitted.
4. To the extent that such an agreement is legally valid, the courts competent for Munich, Germany shall have exclusive jurisdiction over this Agreement.

[Signature page follows]

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/s/ i.V. Th. Straßner

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Pieris AG  
*(represented by the management board)*

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/s/ i.V. Th. Straßner

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TransConnect Unternehmensberatungs- Und Beteiligungs AG

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/s/ i.V. Th. Straßner

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The Global Life Science Ventures Fund II Limited Partnership

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/s/ i.V. Th. Straßner

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BayTech Venture Capital Gmb & Co. KG

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/s/ i.V. Th. Straßner

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OrbiMed Private Investments III, LP

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/s/ i.V. Th. Straßner

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Novo Nordisk A/S

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/s/ i.V. Th. Straßner

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BioM Aktiengesellschaft Munich BioTech Development

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/s/ i.V. Th. Straßner

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The Global Life Science Ventures Fonds II GmbH & Co. KG

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/s/ i.V. Th. Straßner

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Gilde Europe Food & Agribusiness Fund B.V.

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/s/ i.V. Th. Straßner

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Coöperatieve AAC LS U.A.

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/s/ i.V. Th. Straßner

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OrbiMed Associates III, LP

## SPLIT-OFF AGREEMENT

This **SPLIT-OFF AGREEMENT**, dated as of December 17, 2014 (this “Agreement”), is entered into by and among Pieris Pharmaceuticals, Inc. (f/k/a Marika Inc.), a Nevada corporation (“Seller”), Marika Enterprises Inc., a Nevada corporation and wholly owned subsidiary of Seller (“Split-Off Subsidiary”), and Aleksandrs Sviks (“Buyer”).

### R E C I T A L S:

**WHEREAS**, Seller is the owner of all of the issued and outstanding capital stock of Split-Off Subsidiary; Split-Off Subsidiary is a wholly owned subsidiary of Seller which will acquire the business assets and liabilities previously held by Seller; and Seller has no other businesses or operations prior to the Acquisition (as defined herein); and

**WHEREAS**, contemporaneously with the execution of this Agreement, Seller and Pieris AG, a German stock corporation (“PrivateCo”) will enter into the Acquisition Agreement by and among the Seller, PrivateCo and the equity holders of PrivateCo, pursuant to which the equity holders of PrivateCo will receive securities of Seller in exchange for all of their equity interests in PrivateCo (the “Acquisition”); and

**WHEREAS**, the execution and delivery of this Agreement is required by PrivateCo as a condition to its execution of the Acquisition Agreement, and the consummation of the assignment, assumption, purchase and sale transactions contemplated by this Agreement is also a condition to the completion of the Acquisition pursuant to the Acquisition Agreement, and Seller has represented to PrivateCo in the Acquisition Agreement that the transactions contemplated by this Agreement will be consummated contemporaneously with the closing of the Acquisition, and PrivateCo relied on such representation in entering into the Acquisition Agreement; and

**WHEREAS**, Buyer desires to purchase the Shares (as defined in Section 2.1) from Seller, and to assume, as between Seller and Buyer, all responsibility for any debts, obligations and liabilities of Seller (prior to the Acquisition) and Split-Off Subsidiary, on the terms and subject to the conditions specified in this Agreement; and

**WHEREAS**, Seller desires to sell and transfer the Shares to Buyer, on the terms and subject to the conditions specified in this Agreement; and

**NOW, THEREFORE**, in consideration of the premises and the covenants, promises and agreements herein set forth and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending legally to be bound, agree as follows:

#### **I. ASSIGNMENT AND ASSUMPTION OF SELLER’S ASSETS AND LIABILITIES.**

##### **SUBJECT TO THE TERMS AND CONDITIONS PROVIDED BELOW:**

1.1 Assignment of Assets. Seller hereby contributes, assigns, conveys and transfers to Split-Off Subsidiary, and Split-Off Subsidiary hereby receives, acquires and accepts, all assets

and properties of Seller as of the Closing Date (as defined below) existing immediately prior to the Effective Time, including but not limited to the following, but excluding in all cases (i) the right, title and assets of Seller in, to and under the Acquisition Agreement and the Contemplated Transactions, and (ii) the capital stock of PrivateCo and Split-Off Subsidiary:

(a) all cash and cash equivalents;

(b) all accounts receivable;

(c) all inventories of raw materials, work in process, parts, supplies and finished products;

(d) all right, title and interest, of record, beneficial or otherwise, in and to and stock, membership interests, partnership interests or other equity or ownership interests in any corporation, limited liability company, partnership or other entity, and all bonds, debentures, notes or other securities;

(e) all of Seller's rights, title and interests in, to and under all contracts, agreements, leases, licenses (including software licenses), supply agreements, consulting agreements, commitments, purchase orders, customer orders and work orders, and including all of Seller's rights thereunder to use and possess equipment provided by third parties, and all representations, warranties, covenants and guarantees related to the foregoing (provided that to the extent any of the foregoing or any claim or right or benefit arising thereunder or resulting therefrom is not assignable by its terms, or the assignment thereof shall require the consent or approval of another party thereto, this Agreement shall not constitute an assignment thereof if an attempted assignment would be in violation of the terms thereof or if such consent is not obtained prior to the Effective Time, and in lieu thereof Seller shall reasonably cooperate with Split-Off Subsidiary in any reasonable arrangement designed to provide Split-Off Subsidiary the benefits thereunder or any claim or right arising thereunder);

(f) all intellectual property, including but not limited to issued patents, patent applications (whether or not patents are issued thereon and whether modified, withdrawn or resubmitted), unpatented inventions, product designs, copyrights (whether registered or unregistered), know-how, technology, trade secrets, technical information, notebooks, drawings, software, computer coding (both object and source) and all documentation, manuals and drawings related thereto, trademarks or service marks and applications therefor, unregistered trademarks or service marks, trade names, logos and icons and all rights to sue or recover for the infringement or misappropriation thereof;

(g) all fixed assets, including but not limited to the machinery, equipment, furniture, vehicles, office equipment and other tangible personal property owned or leased by Seller;

(h) all customer lists, business records, customer records and files, customer financial records, and all other files and information related to customers, all customer proposals, all open service agreements with customers and all uncompleted customer contracts and agreements;



(i) to the extent legally assignable, all licenses, permits, certificates, approvals and authorizations issued by Governmental Bodies and necessary to own, lease or operate the assets and properties of Seller and to conduct Seller's business as it is presently conducted; and

(i) all real property or interests therein.

**ALL OF THE FOREGOING BEING REFERRED TO HEREIN AS THE "ASSIGNED ASSETS."**

1.2 *Assignment and Assumption of Liabilities.* Seller hereby assigns to Split-Off Subsidiary, and Split-Off Subsidiary hereby assumes and agrees to pay, honor and discharge all debts, adverse claims, liabilities, judgments and obligations, including tax obligations, of Seller existing as of the Closing Date immediately prior to the Effective Time, whether accrued, contingent or otherwise and whether known or unknown, including those arising under any law (including the common law) or any rule or regulation of any Governmental Body or imposed by any court or any arbitrator in a binding arbitration resulting from, arising out of or relating to the assets, activities, financings, offerings, operations, actions or omissions of Seller, or products manufactured or sold thereby or services provided thereby, or under contracts, agreements (whether written or oral), leases, commitments or undertakings thereof, but excluding in all cases the obligations of Seller under the Acquisition Agreement and in connection with the Contemplated Transactions (all of the foregoing being referred to herein as the "Assigned Liabilities").

The assignment and assumption of Seller's assets and liabilities provided for in this Article I is referred to as the "Assignment."

**II. PURCHASE AND SALE OF STOCK.**

2.1 *Purchased Shares.* Subject to the terms and conditions provided below, Seller shall sell and transfer to Buyer and Buyer shall purchase from Seller, on the Closing Date (as defined in Section 3.1), all of the issued and outstanding shares of capital stock of Split-Off Subsidiary (the "Shares"), as set forth in Exhibit A attached hereto.

2.2 *Purchase Price.* The purchase price (the "Purchase Price") for the Shares shall consist of the transfer and delivery by Buyer to Seller of the type and number of shares of common stock and other securities of Seller that Buyer owns (the "Purchase Price Securities"), as set forth in Exhibit A attached hereto, deliverable as provided in Section 3.3.

**III. CLOSING.**

3.1 *Closing.* The closing of the transactions contemplated in this Agreement (the "Closing") shall take place simultaneously with the closing of the Acquisition immediately prior to the Effective Time. The date on which the Closing occurs shall be referred to herein as the "Closing Date."

3.2 *Transfer of Shares.* At the Closing, Seller shall deliver to Buyer certificates representing the Shares purchased by Buyer, duly endorsed to Buyer or as directed by Buyer, which delivery shall vest Buyer with good and marketable title to such Shares, free and clear of all liens, encumbrances and adverse claims or interests.

3.3 *Payment of Purchase Price.* At the Closing, Buyer shall deliver to Seller a certificate or certificates representing Buyer's Purchase Price Securities duly endorsed to Seller, together with a Notarized Stock Power for offshore Buyer and the Waiver of Medallion Guaranty, which delivery shall vest Seller with good and marketable title to the Purchase Price Securities, free and clear of all liens, encumbrances and adverse claims or interests.

3.4 *Transfer of Records.* On or before the Closing, Seller shall transfer to Split-Off Subsidiary all existing corporate books and records in Seller's possession relating to Split-Off Subsidiary and its business, including but not limited to all agreements, litigation files, real estate files, personnel files and filings with governmental agencies; *provided, however,* when any such documents relate to both Seller and Split-Off Subsidiary, only copies of such documents need be furnished. On or before the Closing, Buyer and Split-Off Subsidiary shall transfer to Seller all existing corporate books and records in the possession of Buyer or Split-Off Subsidiary relating to Seller, including but not limited to all corporate minute books, stock ledgers, certificates and corporate seals of Seller and all agreements, litigation files, real property files, personnel files and filings with governmental agencies; *provided, however,* when any such documents relate to both Seller and Split-Off Subsidiary or its business, only copies of such documents need be furnished.

3.5 *Instruments of Assignment.* At the Closing, Seller and Split-Off Subsidiary shall deliver to each other such instruments providing for the Assignment and deliver to PrivateCo executed copies of this Agreement and a general release agreement, and all other documents anticipated by such agreements and the transactions contemplated thereby and hereby as outlined in the Acquisition Agreement as the other may reasonably request (the "Instruments of Assignment").

**IV. BUYER'S REPRESENTATIONS AND WARRANTIES. BUYER REPRESENTS AND WARRANTS TO SELLER AND SPLIT-OFF SUBSIDIARY THAT:**

4.1 *Capacity and Enforceability.* Buyer has the legal capacity to execute and deliver this Agreement and the documents to be executed and delivered by Buyer at the Closing pursuant to the transactions contemplated hereby. This Agreement and all such documents constitute valid and binding agreements of Buyer, enforceable in accordance with their terms.

4.2 *Compliance.* Neither the execution and delivery of this Agreement nor the consummation of the transactions contemplated hereby by Buyer will result in the breach of any term or provision of, or constitute a default under, or violate any agreement, indenture, instrument, order, law or regulation to which Buyer is a party or by which Buyer is bound.

4.3 *Purchase for Investment.* Buyer is financially able to bear the economic risks of acquiring the Shares and the other transactions contemplated hereby, and has no need for liquidity in his investment in the Shares. Buyer has such knowledge and experience in financial and business matters in general, and with respect to businesses of a nature similar to the business of Split-Off Subsidiary (after giving effect to the Assignment), so as to be capable of evaluating

the merits and risks of, and making an informed business decision with regard to, the acquisition of the Shares and the other transactions contemplated hereby. Buyer is acquiring the Shares solely for his own account and not with a view to or for resale in connection with any distribution or public offering thereof, within the meaning of any applicable securities laws and regulations, unless such distribution or offering is registered under the Securities Act of 1933, as amended (the "Securities Act"), or an exemption from such registration is available. Buyer has (i) received all the information he has deemed necessary to make an informed decision with respect to the acquisition of the Shares and the other transactions contemplated hereby; (ii) had an opportunity to make such investigation as he has desired pertaining to Split-Off Subsidiary (after giving effect to the Assignment) and the acquisition of an interest therein and the other transactions contemplated hereby, and to verify the information which is, and has been, made available to him; and (iii) had the opportunity to ask questions of Seller concerning Split-Off Subsidiary (after giving effect to the Assignment). Buyer acknowledges that he is a current or former director and/or officer of Seller, and a current director and/or officer of Split-Off Subsidiary and, as such, has actual knowledge of the business, operations and financial affairs of Split-Off Subsidiary (after giving effect to the Assignment). Buyer has received no public solicitation or advertisement with respect to the offer or sale of the Shares. Buyer realizes that the Shares are "restricted securities" as that term is defined in Rule 144 promulgated by the Securities and Exchange Commission under the Securities Act, the resale of the Shares is restricted by federal and state securities laws and, accordingly, the Shares must be held indefinitely unless their resale is subsequently registered under the Securities Act or an exemption from such registration is available for their resale. Buyer understands that any resale of the Shares by him must be registered under the Securities Act (and any applicable state securities law) or be effected in circumstances that, in the opinion of counsel for Split-Off Subsidiary at the time, create an exemption or otherwise do not require registration under the Securities Act (or applicable state securities laws). Buyer acknowledges and consents that certificates now or hereafter issued for the Shares will bear a legend substantially as follows:

THE SECURITIES EVIDENCED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR QUALIFIED UNDER ANY APPLICABLE STATE SECURITIES LAWS (THE "STATE ACTS"), HAVE BEEN ACQUIRED FOR INVESTMENT AND MAY NOT BE SOLD, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED EXCEPT PURSUANT TO A REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND QUALIFICATION UNDER THE STATE ACTS OR PURSUANT TO EXEMPTIONS FROM SUCH REGISTRATION OR QUALIFICATION REQUIREMENTS (INCLUDING, IN THE CASE OF THE SECURITIES ACT, THE EXEMPTIONS AFFORDED BY SECTION 4(1) OF THE SECURITIES ACT AND RULE 144 THEREUNDER). AS A PRECONDITION TO ANY SUCH TRANSFER, THE ISSUER OF THESE SECURITIES SHALL BE FURNISHED WITH AN OPINION OF COUNSEL OPINING AS TO THE AVAILABILITY OF EXEMPTIONS FROM SUCH REGISTRATION AND QUALIFICATION AND/OR SUCH OTHER EVIDENCE AS MAY BE SATISFACTORY THERETO THAT ANY SUCH TRANSFER WILL NOT VIOLATE THE SECURITIES LAWS.

Buyer understands that the Shares are being sold to him pursuant to the exemption from registration contained in Section 4(1) of the Securities Act and that Seller is relying upon the representations made herein as one of the bases for claiming the Section 4(1) exemption.

4.4 Liabilities. Following the Closing, Seller will have no liability for any debts, liabilities or obligations of Split-Off Subsidiary or its business or activities, or the business or activities of Seller prior to the Closing that are unrelated to the business of PrivateCo, and there are no outstanding guaranties, performance or payment bonds, letters of credit or other contingent contractual obligations that have been undertaken by Seller directly or indirectly in relation to Split-Off Subsidiary or its business, or the business of Seller prior to the Closing that are unrelated to the business of PrivateCo, and that may survive the Closing.

4.5 Title to Purchase Price Securities. Buyer is the sole record and beneficial owner of the Purchase Price Securities. At Closing, Buyer shall have good and marketable title to the Purchase Price Securities, which Purchase Price Securities are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, interests, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Seller, except for restrictions on transfer as contemplated by applicable securities laws.

**V. SELLER'S AND SPLIT-OFF SUBSIDIARY'S REPRESENTATIONS AND WARRANTIES. EACH OF SELLER AND SPLIT-OFF SUBSIDIARY REPRESENT AND WARRANT TO BUYER THAT:**

5.1 Organization and Good Standing. Each of Seller and Split-Off Subsidiary is a corporation duly incorporated, validly existing, and in good standing under the laws of Nevada.

5.2 Authority and Enforceability. The execution and delivery of this Agreement and the documents to be executed and delivered at the Closing pursuant to the transactions contemplated hereby, and performance in accordance with the terms hereof and thereof, have been duly authorized by Seller and Split-Off Subsidiary and all such documents constitute valid and binding agreements of Seller and Split-Off Subsidiary enforceable in accordance with their terms.

5.3 Title to Shares. Seller is the sole record and beneficial owner of the Shares. At Closing, Seller shall have good and marketable title to the Shares, which Shares are, and at the Closing will be, free and clear of all options, warrants, pledges, claims, interests, liens and encumbrances, and any restrictions or limitations prohibiting or restricting transfer to Buyer, except for restrictions on transfer as contemplated by Section 4.3 above. The Shares constitute all of the issued and outstanding shares of capital stock of Split-Off Subsidiary.

5.4 WARN Act. Split-Off Subsidiary does not have a sufficient number of employees to make it subject to the Worker Adjustment and Retraining Notification Act.

5.5 Representations in Acquisition Agreement. Split-Off Subsidiary represents and warrants that all of the representations and warranties by Seller, insofar as they relate to Split-Off Subsidiary, contained in the Acquisition Agreement are true and correct.

**VI. OBLIGATIONS OF BUYER PENDING CLOSING. BUYER COVENANTS AND AGREES THAT BETWEEN THE DATE HEREOF AND THE CLOSING:**

6.1 *Not Impair Performance*. Buyer shall not take any intentional action that would cause the conditions upon the obligations of the parties hereto to effect the transactions contemplated hereby not to be fulfilled, including, without limitation, taking or causing to be taken any action that would cause the representations and warranties made by any party herein not to be true, correct and accurate as of the Closing, or in any way impairing the ability of Seller to satisfy its obligations as provided in Article VII.

6.2 *Assist Performance*. Buyer shall exercise his reasonable best efforts to cause to be fulfilled those conditions precedent to Seller's obligations to consummate the transactions contemplated hereby which are dependent upon actions of Buyer and to make and/or obtain any necessary filings and consents in order to consummate the transactions contemplated by this Agreement.

**VII. OBLIGATIONS OF SELLER AND SPLIT-OFF SUBSIDIARY PENDING CLOSING. SELLER AND SPLIT-OFF SUBSIDIARY COVENANT AND AGREE THAT BETWEEN THE DATE HEREOF AND THE CLOSING:**

7.1 *Business as Usual*. Split-Off Subsidiary shall operate and Seller shall cause Split-Off Subsidiary to operate in accordance with past practices and shall use best efforts to preserve its goodwill and the goodwill of its employees, customers and others having business dealings with Split-Off Subsidiary. Without limiting the generality of the foregoing, from the date of this Agreement until the Closing Date, Split-Off Subsidiary shall (a) make all normal and customary repairs to its equipment, assets and facilities, (b) keep in force all insurance, (c) preserve in full force and effect all material franchises, licenses, contracts and real property interests and comply in all material respects with all laws and regulations, (d) collect all accounts receivable and pay all trade creditors in the ordinary course of business at intervals historically experienced, and (e) preserve and maintain Split-Off Subsidiary's assets in their current operating condition and repair, ordinary wear and tear excepted. From the date of this Agreement until the Closing Date, Split-Off Subsidiary shall not (i) amend, terminate or surrender any material franchise, license, contract or real property interest, or (ii) sell or dispose of any of its assets except in the ordinary course of business.

7.2 *Not Impair Performance*. Seller shall not take any intentional action that would cause the conditions upon the obligations of the parties hereto to effect the transactions contemplated hereby not to be fulfilled, including, without limitation, taking or causing to be taken any action which would cause the representations and warranties made by any party herein not to be materially true, correct and accurate as of the Closing, or in any way impairing the ability of Buyer to satisfy his obligations as provided in Article VI.

7.3 *Assist Performance*. Seller shall exercise its reasonable best efforts to cause to be fulfilled those conditions precedent to Buyer's obligations to consummate the transactions contemplated hereby which are dependent upon the actions of Seller and to work with Buyer to make and/or obtain any necessary filings and consents. Seller shall cause Split-Off Subsidiary to comply with its obligations under this Agreement.

**VIII. SELLER'S AND SPLIT-OFF SUBSIDIARY'S CONDITIONS PRECEDENT TO CLOSING. THE OBLIGATIONS OF SELLER AND SPLIT-OFF SUBSIDIARY TO CLOSE THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT ARE SUBJECT TO THE SATISFACTION AT OR PRIOR TO THE CLOSING OF EACH OF THE FOLLOWING CONDITIONS PRECEDENT (ANY OR ALL OF WHICH MAY BE WAIVED BY SELLER AND PRIVATECO IN WRITING):**

8.1 *Representations and Warranties; Performance.* All representations and warranties of Buyer contained in this Agreement shall have been true and correct, in all material respects, when made and shall be true and correct, in all material respects, at and as of the Closing, with the same effect as though such representations and warranties were made at and as of the Closing. Buyer shall have performed and complied with all covenants and agreements and satisfied all conditions, in all material respects, required by this Agreement to be performed or complied with or satisfied by Buyer at or prior to the Closing.

8.2 *Additional Documents.* Buyer shall deliver or cause to be delivered such additional documents as may be necessary in connection with the consummation of the transactions contemplated by this Agreement and the performance of their obligations hereunder.

8.3 *Release by Split-Off Subsidiary.* At the Closing, Split-Off Subsidiary shall execute and deliver to Seller a general release agreement which in substance and effect releases Seller and PrivateCo from any and all liabilities and obligations that Seller and PrivateCo may owe to Split-Off Subsidiary in any capacity, and from any and all claims that Split-Off Subsidiary may have against Seller, PrivateCo or their respective managers, members, officers, directors, stockholders, employees and agents (other than those arising pursuant to this Agreement or any document delivered in connection with this Agreement).

**IX. BUYER'S CONDITIONS PRECEDENT TO CLOSING. THE OBLIGATION OF BUYER TO CLOSE THE TRANSACTIONS CONTEMPLATED BY THIS AGREEMENT IS SUBJECT TO THE SATISFACTION AT OR PRIOR TO THE CLOSING OF EACH OF THE FOLLOWING CONDITIONS PRECEDENT (ANY AND ALL OF WHICH MAY BE WAIVED BY BUYER IN WRITING):**

9.1 *Representations and Warranties; Performance.* All representations and warranties of Seller and Split-Off Subsidiary contained in this Agreement shall have been true and correct, in all material respects, when made and shall be true and correct, in all material respects, at and as of the Closing with the same effect as though such representations and warranties were made at and as of the Closing. Seller and Split-Off Subsidiary shall have performed and complied with all covenants and agreements and satisfied all conditions, in all material respects, required by this Agreement to be performed or complied with or satisfied by them at or prior to the Closing.

**X. OTHER AGREEMENTS.**

10.1 *Expenses.* Each party hereto shall bear its expenses separately incurred in connection with this Agreement and with the performance of its obligations hereunder.

10.2 *Confidentiality*. Buyer shall not make any public announcements concerning this transaction without the prior written agreement of PrivateCo, other than as may be required by applicable law or judicial process. If for any reason the transactions contemplated hereby are not consummated, then Buyer shall return any information received by Buyer from Seller, Split-Off Subsidiary or PrivateCo, and Buyer shall cause all confidential information obtained by Buyer concerning Seller, Split-Off Subsidiary, PrivateCo and each of their businesses to be treated as such.

10.3 *Brokers' Fees*. In connection with the transaction specifically contemplated by this Agreement, no party to this Agreement has employed the services of a broker and each agrees to indemnify the other against all claims of any third parties for fees and commissions of any brokers claiming a fee or commission related to the transactions contemplated hereby.

10.4 *Access to Information Post-Closing; Cooperation*.

(a) Following the Closing, Buyer and Split-Off Subsidiary shall afford to Seller and its authorized accountants, counsel and other designated representatives, reasonable access (and including using reasonable efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to all records, books, contracts, instruments, computer data and other data and information (collectively, "Information") within the possession or control of Buyer or Split-Off Subsidiary insofar as such access is reasonably required by Seller. Information may be requested under this Section 10.4(a) for, without limitation, audit, accounting, claims, litigation and tax purposes, as well as for purposes of fulfilling disclosure and reporting obligations and performing this Agreement and the transactions contemplated hereby. No files, books or records of Split-Off Subsidiary existing at the Closing Date shall be destroyed by Buyer or Split-Off Subsidiary after Closing but prior to the expiration of any period during which such files, books or records are required to be maintained and preserved by applicable law without giving Seller at least 30 days' prior written notice, during which time Seller shall have the right to examine and to remove any such files, books and records prior to their destruction.

(b) Following the Closing, Seller shall afford to Split-Off Subsidiary and its authorized accountants, counsel and other designated representatives reasonable access (including using reasonable efforts to give access to persons or firms possessing information) and duplicating rights during normal business hours to Information within Seller's possession or control relating to the business of Split-Off Subsidiary insofar as such access is reasonably requested by Buyer. Information may be requested under this Section 10.4(b) for, without limitation, audit, accounting, claims, litigation and tax purposes as well as for purposes of fulfilling disclosure and reporting obligations and for performing this Agreement and the transactions contemplated hereby. No files, books or records of Split-Off Subsidiary existing at the Closing Date shall be destroyed by Seller after Closing but prior to the expiration of any period during which such files, books or records are required to be maintained and preserved by applicable law without giving Buyer at least 30 days' prior written notice, during which time Buyer shall have the right to examine and to remove any such files, books and records prior to their destruction.

(c) At all times following the Closing, Seller, Buyer and Split-Off Subsidiary shall use their reasonable efforts to make available to the other parties on written request, the current and former officers, directors, employees and agents of Seller or Split-Off Subsidiary for any of the purposes set forth in Section 10.4(a) or (b) above or as witnesses to the extent that such persons may reasonably be required in connection with any legal, administrative or other proceedings in which Seller or Split-Off Subsidiary may from time to time be involved.

(d) The party to whom any Information or witnesses are provided under this Section 10.4 shall reimburse the provider thereof for all out-of-pocket expenses actually and reasonably incurred in providing such Information or witnesses.

(e) Seller, Buyer, Split-Off Subsidiary and their respective employees and agents shall each hold in strict confidence all Information concerning the other party in their possession or furnished by the other or the other's representative pursuant to this Agreement with the same degree of care as such party utilizes as to such party's own confidential information (except to the extent that such Information is (i) in the public domain through no fault of such party or (ii) later lawfully acquired from any other source by such party), and each party shall not release or disclose such Information to any other person, except such party's auditors, attorneys, financial advisors, bankers, other consultants and advisors or persons to whom such party has a valid obligation to disclose such Information, unless compelled to disclose such Information by judicial or administrative process or, as advised by its counsel, by other requirements of law.

(f) Seller, Buyer and Split-Off Subsidiary shall each use their reasonable best efforts to forward promptly to the other party all notices, claims, correspondence and other materials which are received and determined to pertain to the other party.

10.5 Guarantees, Surety Bonds and Letter of Credit Obligations. In the event that Seller is obligated for any debts, obligations or liabilities of Split-Off Subsidiary by virtue of any outstanding guarantee, performance or surety bond or letter of credit provided or arranged by Seller on or prior to the Closing Date, Buyer and Split-Off Subsidiary shall use their best efforts to cause to be issued replacements of such bonds, letters of credit and guarantees and to obtain any amendments, novations, releases and approvals necessary to release and discharge fully Seller from any liability thereunder following the Closing. Buyer and Split-Off Subsidiary, jointly and severally, shall be responsible for, and shall indemnify, hold harmless and defend Seller from and against, any costs or losses incurred by Seller arising from such bonds, letters of credit and guarantees and any liabilities arising therefrom and shall reimburse Seller for any payments that Seller may be required to pay pursuant to enforcement of its obligations relating to such bonds, letters of credit and guarantees.

10.6 Filings and Consents. Buyer, at his risk, shall determine what, if any, filings and consents must be made and/or obtained prior to Closing to consummate the purchase and sale of the Shares. Buyer shall indemnify the Seller Indemnified Parties (as defined in Section 12.1 below) against any Losses (as defined in Section 12.1 below) incurred by such Seller Indemnified Parties by virtue of the failure to make and/or obtain any such filings or consents. Recognizing that the failure to make and/or obtain any filings or consents may cause Seller to



incur Losses or otherwise adversely affect Seller, Buyer and Split-Off Subsidiary confirm that the provisions of this Section 10.6 will not limit Seller's right to treat such failure as the failure of a condition precedent to Seller's obligation to close pursuant to Article VIII above.

10.7 Insurance. Buyer acknowledges that on the Closing Date, effective as of the Closing, any insurance coverage and bonds provided by Seller for the Buyer or for Split-Off Subsidiary, and all certificates of insurance evidencing that Buyer or Split-Off Subsidiary maintain any required insurance by virtue of insurance provided by Seller, will terminate with respect to any insured damages resulting from matters occurring subsequent to Closing.

10.8 Agreements Regarding Taxes.

(a) Tax Sharing Agreements. Any tax sharing agreement between Seller and Split-Off Subsidiary is terminated as of the Closing Date and will have no further effect for any taxable year (whether the current year, a future year or a past year).

(b) Returns for Periods Through the Closing Date. Seller will include the income and loss of Split-Off Subsidiary (including any deferred income triggered into income by Reg. §1.1502-13 and any excess loss accounts taken into income under Reg. §1.1502-19) on Seller's consolidated federal income tax returns for all periods through the Closing Date and pay any federal income taxes attributable to such income. Seller and Split-Off Subsidiary agree to allocate income, gain, loss, deductions and credits between the period up to Closing (the "Pre-Closing Period") and the period after Closing (the "Post-Closing Period") based on a closing of the books of Split-Off Subsidiary, and both Seller and Split-Off Subsidiary agree not to make an election under Reg. §1.1502-76(b)(2)(ii) to ratably allocate the year's items of income, gain, loss, deduction and credit. Seller, Split-Off Subsidiary and Buyer agree to report all transactions not in the ordinary course of business occurring on the Closing Date after Buyer's purchase of the Shares on Split-Off Subsidiary's tax returns to the extent permitted by Reg. §1.1502-76(b)(1)(ii)(B). Buyer agrees to indemnify Seller for any additional tax owed by Seller (including tax owed by Seller due to this indemnification payment) resulting from any transaction engaged in by Split-Off Subsidiary or Seller (not related to the Acquisition) during the Pre-Closing Period or on the Closing Date before Buyer's purchase of the Shares. Split-Off Subsidiary will furnish tax information to Seller for inclusion in Seller's consolidated federal income tax return for the period which includes the Closing Date in accordance with Split-Off Subsidiary's past custom and practice.

(c) Audits. Seller will allow Split-Off Subsidiary and its counsel to participate at Split-Off Subsidiary's expense in any audit of Seller's consolidated federal income tax returns to the extent that such audit raises issues that relate to and increase the tax liability of Split-Off Subsidiary. Seller shall have the absolute right, in its sole discretion, to engage professionals and direct the representation of Seller in connection with any such audit and the resolution thereof, without receiving the consent of Buyer or Split-Off Subsidiary or any other party acting on behalf of Buyer or Split-Off Subsidiary, provided that Seller will not settle any such audit in a manner which would materially adversely affect Split-Off Subsidiary after the Closing Date unless such settlement would be reasonable in the case of a person that owned Split-Off Subsidiary

both before and after the Closing Date, or unless the Split-Off Subsidiary provides written consent, such consent not to be unreasonably withheld. In the event that after Closing any tax authority informs Buyer or Split-Off Subsidiary of any notice of proposed audit, claim, assessment or other dispute concerning an amount of taxes which pertain to Seller, or to Split-Off Subsidiary during the period prior to Closing, Buyer or Split-Off Subsidiary must promptly notify Seller of the same within 15 calendar days of the date of the notice from the tax authority. In the event Buyer or Split-Off Subsidiary does not notify Seller within such 15 day period, Buyer and Split-Off Subsidiary, jointly and severally, will indemnify Seller for any incremental interest, penalty or other assessments resulting from the delay in giving notice. To the extent of any conflict or inconsistency, the provisions of this Section 10.8 shall control over the provisions of Section 12.2 below.

(d) Cooperation on Tax Matters. Buyer, Seller and Split-Off Subsidiary shall cooperate fully, as and to the extent reasonably requested by any party, in connection with the filing of tax returns pursuant to this Section and any audit, litigation or other proceeding with respect to taxes. Such cooperation shall include the retention and (upon the other party's request) the provision of records and information which are reasonably relevant to any such audit, litigation or other proceeding and making employees available on a mutually convenient basis to provide additional information and explanation of any material provided hereunder. Split-Off Subsidiary shall (i) retain all books and records with respect to tax matters pertinent to Split-Off Subsidiary and Seller relating to any taxable period beginning before the Closing Date until the expiration of the statute of limitations (and, to the extent notified by Seller, any extensions thereof) of the respective taxable periods, and abide by all record retention agreements entered into with any taxing authority, and (ii) give Seller reasonable written notice prior to transferring, destroying or discarding any such books and records and, if Seller so requests, Buyer agrees to cause Split-Off Subsidiary to allow Seller to take possession of such books and records.

10.9 ERISA. Effective as of the Closing Date, Split-Off Subsidiary shall terminate its participation in, and withdraw from, any employee benefit plans sponsored by Seller, and Seller and Buyer shall cooperate fully in such termination and withdrawal. Without limitation, Split-Off Subsidiary shall be solely responsible for (i) all liabilities under those employee benefit plans notwithstanding any status as an employee benefit plan sponsored by Seller, and (ii) all liabilities for the payment of vacation pay, severance benefits, and similar obligations, including, without limitation, amounts which are accrued but unpaid as of the Closing Date with respect thereto. Buyer and Split-Off Subsidiary acknowledge and agree that Split-Off Subsidiary is solely responsible for providing continuation health coverage, as required under the Consolidated Omnibus Reconciliation Act of 1985, as amended ("COBRA"), to each person, if any, participating in an employee benefit plan subject to COBRA with respect to such employee benefit plan as of the Closing Date, including, without limitation, any person whose employment with Split-Off Subsidiary is terminated after the Closing Date.

**XI. TERMINATION. THIS AGREEMENT MAY BE TERMINATED AT, OR AT ANY TIME PRIOR TO, THE CLOSING BY MUTUAL WRITTEN CONSENT OF SELLER, BUYER AND PRIVATECO.**

If this Agreement is terminated as provided herein, it shall become wholly void and of no further force and effect and there shall be no further liability or obligation on the part of any party except to pay such expenses as are required of such party.

**XII. INDEMNIFICATION.**

12.1 *Indemnification by Buyer and Split-Off Subsidiary.* Each of Buyer and Split-Off Subsidiary, jointly and severally, covenant and agree to indemnify, defend, protect and hold harmless Seller and PrivateCo, and their respective officers, directors, employees, stockholders, agents, representatives and Affiliates (collectively, the "Seller Indemnified Parties") at all times from and after the date of this Agreement from and against all losses, liabilities, damages, claims, actions, suits, proceedings, demands, assessments, adjustments, costs and expenses (including specifically, but without limitation, reasonable attorneys' fees and expenses of investigation), whether or not involving a third party claim and regardless of any negligence of any Seller Indemnified Party (collectively, "Losses"), incurred by any Seller Indemnified Party as a result of or arising from (i) any breach of the representations and warranties of Buyer set forth herein or in certificates delivered in connection herewith, (ii) any breach or nonfulfillment of any covenant or agreement (including any other agreement of Buyer to indemnify set forth in this Agreement) on the part of Buyer under this Agreement, (iii) any Assigned Asset or Assigned Liability or any other debt, liability or obligation of Split-Off Subsidiary, (iv) the conduct and operations, (A) prior to Closing, of the business of Seller unrelated to the assets that are the subject of the Acquisition, (B) whether before or after Closing, of (X) the business of Seller pertaining to the Assigned Assets and Assigned Liabilities or (Y) the business of Split-Off Subsidiary, (v) claims asserted (including claims for payment of taxes), whether before or after Closing, (A) against Split-Off Subsidiary or (B) pertaining to the Assigned Assets and Assigned Liabilities or to the business of Seller prior to the Closing, or (vi) any federal or state income tax payable by Seller or PrivateCo and attributable to the transactions contemplated by this Agreement or to the business of Seller prior to the Closing. For the purposes of this Agreement, an "Affiliate" is a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another specified person or entity.

12.2 *Third Party Claims*. If any claim or liability (a “Third-Party Claim”) should be asserted against any of the Seller Indemnified Parties (the “Indemnatee”) by a third party after the Closing for which Buyer has an indemnification obligation under the terms of Section 12.1, then the Indemnatee shall notify Buyer (the “Indemnitor”) within 20 days after the Third-Party Claim is asserted by a third party (said notification being referred to as a “Claim Notice”). The expenses (including reasonable attorneys’ fees) of all negotiations, proceedings, contests, lawsuits or settlements with respect to any Third-Party Claim shall be borne by the Indemnitor. The Indemnitor shall not be entitled to assume the defense of any Third-Party Claim. The Indemnitor shall be responsible for paying all settlements made or judgments entered with respect to any Third-Party Claim. A failure by the Indemnatee to timely give the Claim Notice shall not excuse Indemnitor from any indemnification liability except only to the extent that the Indemnitor is materially and adversely prejudiced by such failure.

12.3 *Non-Third-Party Claims*. Upon discovery of any claim for which Buyer has an indemnification obligation under the terms of Section 12.1 which does not involve a claim by a third party against the Indemnatee, the Indemnatee shall give prompt notice to Buyer of such claim and, in any case, shall give Buyer such notice within 30 days of such discovery. A failure by Indemnatee to timely give the foregoing notice to Buyer shall not excuse Buyer from any indemnification liability except to the extent that Buyer is materially and adversely prejudiced by such failure.

12.4 *Survival*. Except as otherwise provided in this Section 12.4, all representations and warranties made by Buyer, Split-Off Subsidiary and Seller in connection with this Agreement shall survive the Closing. Anything in this Agreement to the contrary notwithstanding, the liability of the Indemnitor under this Article XII shall terminate on the third (3<sup>rd</sup>) anniversary of the Closing Date, except with respect to (a) liability for any item as to which, prior to the third (3<sup>rd</sup>) anniversary of the Closing Date, any Indemnatee shall have asserted a claim in writing, which claim shall identify its basis with reasonable specificity, in which case the liability for such claim shall continue until it shall have been finally settled, decided or adjudicated, (b) liability of any party for Losses for which such party has an indemnification obligation, incurred as a result of such party’s breach of any covenant or agreement to be performed by such party after the Closing, (c) liability of Buyer for Losses incurred by a Seller Indemnified Party due to breaches of its representations and warranties in Article IV of this Agreement, and (d) liability of Buyer for Losses arising out of Third-Party Claims for which Buyer has an indemnification obligation, which liability shall survive until the statute of limitation applicable to any third party’s right to assert a Third-Party Claim bars assertion of such claim.

### **XIII. MISCELLANEOUS.**

13.1 *Definitions*. Capitalized terms used herein without definition have the meanings ascribed to them in the Acquisition Agreement.

13.2 Notices. All notices and communications required or permitted hereunder shall be in writing and deemed given when received by means of the United States mail, addressed to the party to be notified, postage prepaid and registered or certified with return receipt requested, or personal delivery, or overnight courier, as follows:

- (a) If to Seller, addressed to:  
Pieris Pharmaceuticals, Inc.  
2360 Corporate Circle, Suite 400  
Henderson, NV 89074  
Attn: Aleksandrs Sviks  
Tel: 702-425-4332

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

Crone Kline Rinde LLP  
488 Madison Avenue, 12<sup>th</sup> Fl.  
New York, NY 10022  
Attn: Mark E. Crone  
Fax: 1-212-400-6901

- (b) If to Buyer or Split-Off Subsidiary, addressed to:  
Aleksandrs Sviks  
54-35 Muzjanu Street  
Riga, Latvia, LV-1064

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

Crone Kline Rinde LLP  
488 Madison Avenue, 12<sup>th</sup> Fl.  
New York, NY 10022  
Attn: Mark E. Crone  
Fax: 1-212-400-6901

- (c) If to PrivateCo, addressed to:  
Pieris AG  
Lise-Meitner-Straße 30  
85354 Freising, Germany  
Attn: Stephen S. Yoder, CEO  
Fax: +4981611411444

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

Mintz, Levin, Cohn, Ferris, Glovsky and Popeo, P.C.  
One Financial Center  
Boston, MA 02111  
Attn: William Hicks  
Fax: 1-617-542-2241

or to such other address as any party hereto shall specify pursuant to this Section 13.2 from time to time.

13.3 Exercise of Rights and Remedies. Except as otherwise provided herein, no delay of or omission in the exercise of any right, power or remedy accruing to any party as a result of any breach or default by any other party under this Agreement shall impair any such right, power or remedy, nor shall it be construed as a waiver of or acquiescence in any such breach or default, or of any similar breach or default occurring later; nor shall any waiver of any single breach or default be deemed a waiver of any other breach or default occurring before or after that waiver.

13.4 Time. Time is of the essence with respect to this Agreement.

13.5 Reformation and Severability. In case any provision of this Agreement shall be invalid, illegal or unenforceable, it shall, to the extent possible, be modified in such manner as to be valid, legal and enforceable but so as to most nearly retain the intent of the parties, and if such modification is not possible, such provision shall be severed from this Agreement, and in either case the validity, legality and enforceability of the remaining provisions of this Agreement shall not in any way be affected or impaired thereby.

13.6 Further Acts and Assurances. From and after the Closing, Seller, Buyer and Split-Off Subsidiary agree that each will act in a manner supporting compliance, including compliance by its Affiliates, with all of its obligations under this Agreement and, from time to time, shall, at the request of another party hereto, and without further consideration, cause the execution and delivery of such other instruments of conveyance, transfer, assignment or assumption and take such other action or execute such other documents as such party may reasonably request in order more effectively to convey, transfer to and vest in Buyer, and to put Split-Off Subsidiary in possession of, all Assigned Assets and Assigned Liabilities, and to convey, transfer to and vest in Seller and Buyer, and to them in possession of, the Purchase Price Securities and the Shares (respectively), and, in the case of any contracts and rights that cannot be effectively transferred without the consent or approval of another person that is unobtainable, to use its best reasonable efforts to ensure that Split-Off Subsidiary receives the benefits thereof to the maximum extent permissible in accordance with applicable law or other applicable restrictions, and shall perform such other acts which may be reasonably necessary to effectuate the purposes of this Agreement.

13.7 Entire Agreement; Amendments. This Agreement contains the entire understanding of the parties relating to the subject matter contained herein. This Agreement cannot be amended or changed except through a written instrument signed by all of the parties hereto and by PrivateCo. No provisions of this Agreement or any rights hereunder may be waived by any party without the prior written consent of PrivateCo.

13.8 Assignment. No party may assign his, her or its rights or obligations hereunder, in whole or in part, without the prior written consent of the other parties.

13.9 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts or choice of laws thereof.

13.10 Counterparts. This Agreement may be executed in one or more counterparts, with the same effect as if all parties had signed the same document. Each such counterpart shall be an original, but all such counterparts taken together shall constitute a single agreement. In the event that any signature is delivered by facsimile transmission, such signature shall create a valid and binding obligation of the party executing (or on whose behalf such signature is executed) the same with the same force and effect as if such facsimile signature page was an original thereof.

13.11 Section Headings and Gender. The section headings used herein are inserted for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement. All personal pronouns used in this Agreement shall include the other genders, whether used in the masculine, feminine or neuter, and the singular shall include the plural, and *vice versa*, whenever and as often as may be appropriate.

13.12 Third-Party Beneficiary. Each of Seller, Buyer and Split-Off Subsidiary acknowledges and agrees that this Agreement is entered into for the express benefit of PrivateCo, and that PrivateCo is relying hereon and on the consummation of the transactions contemplated by this Agreement in entering into and performing its obligations under the Acquisition Agreement, and that PrivateCo shall be in all respects entitled to the benefit hereof and to enforce this Agreement as a result of any breach hereof.

13.13 Specific Performance; Remedies. Each of the parties to this Agreement acknowledges and agrees that if any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached, irreparable damages would be incurred by the other parties to this Agreement and to PrivateCo. Accordingly, the parties to this Agreement agree that any party or PrivateCo will be entitled to seek an injunction or injunctions to prevent breaches of the provisions of this Agreement and to enforce specifically this Agreement and its terms and provisions in any action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter, subject to Section 13.9, in addition to any other remedy to which they may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and are in addition to any other rights, obligations or remedies otherwise available at law or in equity, and nothing herein will be considered an election of remedies.

13.14 Submission to Jurisdiction; Process Agent; No Jury Trial.

(a) Each party to the Agreement hereby submits to the jurisdiction of any state or federal court sitting in the Borough of Manhattan, City and State of New York, in any action arising out of or relating to this Agreement and agrees that all claims in respect of the action may be heard and determined in any such court. Each party to the Agreement also agrees not to bring any action arising out of or relating to this Agreement in any other court. Each party to the Agreement agrees that a final judgment in any action so brought will be conclusive and may be enforced by action on the judgment or in any other manner provided at law or in equity. Each party to the Agreement waives any defense of inconvenient forum to the maintenance of any action so brought and waives any bond, surety or other security that might be required of any other party with respect thereto.

(b) EACH PARTY TO THIS AGREEMENT HEREBY AGREES TO WAIVE ITS RIGHTS TO JURY TRIAL OF ANY DISPUTE BASED UPON OR ARISING OUT OF THIS AGREEMENT OR ANY OTHER AGREEMENTS RELATING TO THE SUBJECT MATTER OF THIS AGREEMENT OR ANY DEALINGS AMONG THEM RELATING TO THE TRANSACTIONS CONTEMPLATED HEREBY. The scope of this waiver is intended to be all encompassing of any and all actions that may be filed in any court and that relate to the subject matter of the transactions, including contract claims, tort claims, breach of duty claims and all other common law and statutory claims. Each party to the Agreement hereby acknowledges that this waiver is a material inducement to enter into a business relationship and that they will continue to rely on the waiver in their related future dealings. Each party to the Agreement further represents and warrants that it has reviewed this waiver with its legal counsel, and that each knowingly and voluntarily waives its jury trial rights following consultation with legal counsel. NOTWITHSTANDING ANYTHING TO THE CONTRARY HEREIN, THIS WAIVER IS IRREVOCABLE, MEANING THAT IT MAY NOT BE MODIFIED ORALLY OR IN WRITING, AND THE WAIVER WILL APPLY TO ANY AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT OR TO ANY OTHER DOCUMENTS OR AGREEMENTS RELATING HERETO. In the event of commencement of any action, this Agreement may be filed as a written consent to trial by a court.

13.15 Construction. The parties hereto have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or question of intent or interpretation arises, this Agreement will be construed as if drafted jointly by the parties hereto and no presumption or burden of proof will arise favoring or disfavoring any party because of the authorship of any provision of this Agreement. Any reference to any federal, state, local or foreign law will be deemed also to refer to law as amended and all rules and regulations promulgated thereunder, unless the context requires otherwise. The words "include," "includes," and "including" will be deemed to be followed by "without limitation." The words "this Agreement," "herein," "hereof," "hereby," "hereunder," and words of similar import refer to this Agreement as a whole and not to any particular subdivision unless expressly so limited. The parties hereto intend that each representation, warranty and covenant contained herein will have independent significance. If any party hereto has breached any representation, warranty or covenant contained herein in any respect, the fact that there exists another representation, warranty or covenant relating to the same subject matter (regardless of the relative levels of specificity) which that party has not breached will not detract from or mitigate the fact that such party is in breach of the first representation, warranty or covenant.

*[Signature page follows this page.]*



IN WITNESS WHEREOF, the parties hereto have duly executed this Split-Off Agreement as of the day and year first above written.

**SELLER**

**PIERIS PHARMACEUTICALS, INC.**

By: /s/ Aleksandrs Sviks

Name: Aleksandrs Sviks

Title: President

**SPLIT-OFF SUBSIDIARY**

**MARIKA ENTERPRISES INC.**

By: /s/ Aleksandrs Sviks

Name: Aleksandrs Sviks

Title: President

**BUYER**

/s/ Aleksandrs Sviks

Aleksandrs Sviks

**EXHIBIT A**

<b><u>BUYER</u></b>	<b><u>PURCHASE PRICE SECURITY</u></b>	<b><u>NUMBER</u></b>
Aleksandrs Sviks	Common Stock	5,000,000
Aleksandrs Sviks	Common Stock (in Book Entry)	6,363,635*

\* Shares issued as dividend shares.

Total number of Purchase Price Securities: 11,636,635

Number of issued and outstanding shares of capital stock of Split-Off Subsidiary (the "Shares"): 100

## GENERAL RELEASE AGREEMENT

This **GENERAL RELEASE AGREEMENT** (this "**Agreement**"), dated as of December 17, 2014, is entered into by and among Pieris Pharmaceuticals, Inc., a Nevada corporation ("**Seller**"), Marika Enterprises Inc., a Nevada corporation and a wholly owned subsidiary of Seller ("**Split-Off Subsidiary**") and Aleksandrs Sviks ("**Buyer**"). In consideration of the mutual benefits to be derived from this Agreement, the covenants and agreements set forth herein, and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged by the execution and delivery hereof, the parties hereto hereby agree as follows:

**1. Split-Off Agreement.** This Agreement is executed and delivered by Split-Off Subsidiary pursuant to the requirements of Section 8.3 of that certain Split-Off Agreement (the "**Split-Off Agreement**") by and among Seller, Split-Off Subsidiary and Buyer as a condition precedent to the closing (the "**Closing**") of Split-Off Agreement.

**2. Release and Waiver by Split-Off Subsidiary.** For and in consideration of the covenants and promises contained herein and in the Split-Off Agreement, the receipt and sufficiency of which are hereby acknowledged, Split-Off Subsidiary, on behalf of itself and its assigns, representatives and agents, if any, hereby covenants not to sue and fully, finally and forever completely releases Seller and Pieris AG, a German Stock Corporation ("**PrivateCo**"), along with their respective present, future and former officers, directors, stockholders, members, employees, agents, attorneys and representatives (collectively, the "**Seller Released Parties**"), of and from any and all claims, actions, obligations, liabilities, demands and/or causes of action, of whatever kind or character, whether now known or unknown, which Split-Off Subsidiary has or might claim to have against the Seller Released Parties for any and all injuries, harm, damages (actual and punitive), costs, losses, expenses, attorneys' fees and/or liability or other detriment, if any, whenever incurred or suffered by Split-Off Subsidiary arising from, relating to, or in any way connected with, any fact, event, transaction, action or omission that occurred or failed to occur on or prior to date of the Closing.

**3. Release and Waiver by Buyer.** For and in consideration of the covenants and promises contained herein and in the Split-Off Agreement, the receipt and sufficiency of which are hereby acknowledged, Buyer, on behalf of itself and its assigns, representatives and agents, if any, hereby covenants not to sue and fully, finally and forever completely releases the Seller Released Parties of and from any and all claims, actions, obligations, liabilities, demands and/or causes of action, of whatever kind or character, whether now known or unknown, which Buyer has or might claim to have against the Seller Released Parties for any and all injuries, harm, damages (actual and punitive), costs, losses, expenses, attorneys' fees and/or liability or other detriment, if any, whenever incurred or suffered by Buyer arising from, relating to, or in any way connected with, any fact, event, transaction, action or omission that occurred or failed to occur on or prior to the date of the Closing.

**4. Additional Covenants and Agreements.**

(a) Each of Split-Off Subsidiary and Buyer, on the one hand, and Seller, on the other hand, waives and releases the other from any claims that this Agreement was procured by fraud or signed under duress or coercion so as to make this Agreement not binding.

(b) Each of the parties hereto acknowledges and agrees that the releases set forth herein do not include any claims the other party hereto may have against such party for such party's failure to comply with or breach of any provision in this Agreement or the Split-Off Agreement.

5. **Modification.** This Agreement cannot be modified orally and can only be modified through a written document signed by all parties and PrivateCo.

6. **Severability.** If any provision contained in this Agreement is determined to be void, illegal or unenforceable, in whole or in part, then the other provisions contained herein shall remain in full force and effect as if the provision that was determined to be void, illegal or unenforceable had not been contained herein.

7. **Expenses.** The parties hereto agree that each party shall pay its respective costs, including attorneys' fees, if any, associated with this Agreement.

8. **Further Acts and Assurances.** Each of Split-Off Subsidiary and Buyer agrees that it will act in a manner supporting compliance, including compliance by its Affiliates, with all of its obligations under this Agreement and, from time to time, shall, at the request of Seller or PrivateCo, and without further consideration, cause the execution and delivery of such other instruments of release or waiver and take such other action or execute such other documents as such party may reasonably request in order to confirm or effect the releases, waivers and covenants contained herein, and, in the case of any claims, actions, obligations, liabilities, demands and/or causes of action that cannot be effectively released or waived without the consent or approval of other persons or entities that is unobtainable, to use its best reasonable efforts to ensure that the Seller Released Parties receive the benefits thereof to the maximum extent permissible in accordance with applicable law or other applicable restrictions, and shall perform such other acts which may be reasonably necessary to effectuate the purposes of this Agreement. For purposes of this Agreement, an "Affiliate" is a person or entity that directly, or indirectly through one or more intermediaries, controls or is controlled by, or is under common control with, another specified person or entity.

9. **Governing Law.** This Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to principles of conflicts or choice of laws thereof.

10. **Third-Party Beneficiary.** Each of Seller, Buyer and Split-Off Subsidiary acknowledges and agrees that this Agreement is entered into for the express benefit of PrivateCo, and that PrivateCo is relying hereon and on the consummation of the transactions contemplated by this Agreement in entering into and performing its obligations under the Acquisition Agreement and the Split-Off Agreement, and that PrivateCo shall be in all respects entitled to the benefit hereof and to enforce this Agreement as a result of any breach hereof.

11. **Specific Performance; Remedies.** Each of Seller, Buyer and Split-Off Subsidiary acknowledges and agrees that PrivateCo would be damaged irreparably if any provision of this Agreement is not performed in accordance with its specific terms or is otherwise breached. Accordingly, each of Seller, Buyer and Split-Off Subsidiary agrees that PrivateCo will be entitled to seek an injunction or injunctions to prevent breaches of the

provisions of this Agreement and to enforce specifically this Agreement and its terms and provisions in any action instituted in any court of the United States or any state thereof having jurisdiction over the parties and the matter, subject to Section 9, in addition to any other remedy to which they may be entitled, at law or in equity. Except as expressly provided herein, the rights, obligations and remedies created by this Agreement are cumulative and are in addition to any other rights, obligations or remedies otherwise available at law or in equity, and nothing herein will be considered an election of remedies.

**12. Entire Agreement.** This Agreement constitutes the entire understanding and agreement of Seller, Split-Off Subsidiary and Buyer and supersedes prior understandings and agreements, if any, among or between Seller, Split-Off Subsidiary and Buyer with respect to the subject matter of this Agreement, other than as specifically referenced herein. This Agreement does not, however, operate to supersede or extinguish any confidentiality, non-solicitation, non-disclosure or non-competition obligations owed by Split-Off Subsidiary to Seller under any prior agreement.

**13. Definitions.** Capitalized terms used herein without definition have the meanings ascribed to them in the Acquisition Agreement.

*[Signature page follows]*

IN WITNESS WHEREOF, the undersigned have executed this General Release Agreement as of the day and year first above written.

**SELLER**

**PIERIS PHARMACEUTICALS, INC.**

By: /s/ Aleksandrs Sviks

Name: Aleksandrs Sviks

Title: President

**SPLIT-OFF SUBSIDIARY**

**MARIKA ENTERPRISES INC.**

By: /s/ Aleksandrs Sviks

Name: Aleksandrs Sviks

Title: President

**BUYER**

/s/ Aleksandrs Sviks

Aleksandrs Sviks

HARRIS & GILLESPIE CPA'S, PLLC  
CERTIFIED PUBLIC ACCOUNTANT'S  
3901 STONE WAY N., SUITE 202  
SEATTLE, WA 98103  
206.547.6050

December 17, 2014

Securities and Exchange Commission  
100 F Street, NE  
Washington, D.C. 20549

Re: PIERIS PHARMACEUTICALS, INC.

Dear Sirs/Madams:

We have read Pieris Pharmaceuticals, Inc.'s statements included under Item 4.01 of its Current Report on Form 8-K, dated December 17, 2014, and we agree with such statements contained thereunder as they relate to our firm. We have no basis to agree or disagree with the other statements contained therein.

Very truly,

/S/ HARRIS & GILLESPIE CPA'S, PLLC

**Subsidiaries****Entity**

Pieris AG  
Pieris Australia PTY Ltd.

**Jurisdiction of Organization**

Germany  
Australia



PIERIS AG

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**Report of Independent Registered Public Accounting Firm**

The Supervisory Board and Stockholders of Pieris AG

We have audited the accompanying balance sheets of Pieris AG (the “Company”) as of December 31, 2013 and 2012, and the related statements of operations, comprehensive income (loss), changes in stockholders’ equity, and cash flows for each of the two years in the period ended December 31, 2013. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company’s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company’s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Pieris AG at December 31, 2013 and 2012, and the results of its operations and its cash flows for each of the two years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Dr. Napolitano

/s/ Richter

Wirtschaftsprüfer

Wirtschaftsprüfer

[German Public Auditor]

[German Public Auditor]

Ernst & Young GmbH

Wirtschaftsprüfungsgesellschaft

Munich, Germany

December 17, 2014

**PIERIS AG**  
**BALANCE SHEETS**

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$3,689,382	\$ 6,327,078
Restricted cash	72,497	183,311
Trade accounts receivable	481,810	126,641
Other current assets	449,733	1,120,114
Prepaid expenses	60,477	59,100
Income tax receivable	66,479	49,066
Total current assets	<u>4,820,378</u>	<u>7,865,310</u>
Property and equipment, net	2,437,677	2,673,682
Deferred tax asset	18,877	30,975
<b>Total assets</b>	<u><u>\$7,276,932</u></u>	<u><u>\$10,569,967</u></u>

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

**PIERIS AG**  
**BALANCE SHEETS**

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 278,008	\$ 813,667
Accrued expenses	559,629	411,489
Other current liabilities	160,484	184,265
Convertible stockholder loan, including accrued interest, current portion	—	2,333,279
Bank loan, including accrued interest, current portion	206,490	1,488,984
Deferred revenues, current portion	544,562	3,990,784
Deferred tax liabilities	18,877	30,975
Total current liabilities	1,768,051	9,253,442
Accrued expenses, non-current	379,942	364,728
Convertible stockholder loan, including accrued interest, net of current portion	3,098,502	—
Bank loan, including accrued interest, net of current portion	1,445,430	—
Deferred revenue, net of current portion	—	456,094
Total liabilities	6,691,925	10,074,264
Commitments and contingencies		
Stockholders' equity		
Common stock, €1 par value per share, 59,993 shares authorized and 59,993 shares issued and outstanding at December 31, 2013 and 2012	53,889	53,889
Preferred stock, €1 par value per share, 919,708 shares authorized and 919,708 issued and outstanding at December 31, 2013 and 2012	1,214,914	1,214,914
Additional paid-in capital	56,351,363	56,351,363
Receivable from issuance of shares	(121,801)	(121,801)
Accumulated other comprehensive loss	(956,274)	(979,383)
Accumulated deficit	(55,957,084)	(56,023,280)
Total stockholders' equity	585,007	495,702
<b>Total liabilities and stockholders' equity</b>	<b>\$ 7,276,932</b>	<b>\$ 10,569,967</b>

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

**PIERIS AG**  
**STATEMENTS OF OPERATIONS**

	<u>Years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Revenues	\$ 12,427,292	\$ 11,383,322
Operating costs and expenses		
Research and development	(9,411,856)	(10,854,761)
General and administrative	(2,461,610)	(2,708,583)
	<u>(11,873,466)</u>	<u>(13,563,344)</u>
Income (loss) from operations	553,826	(2,180,022)
Other income (expense)		
Interest expense	(493,937)	(177,125)
Other income, net	6,307	36,578
	<u>(487,630)</u>	<u>(140,547)</u>
Income (loss) before income taxes	66,196	(2,320,569)
Income tax benefit	—	22
Net income (loss)	<u>\$ 66,196</u>	<u>\$ (2,320,546)</u>
Net income (loss) per share		
Basic and diluted	\$ 0.07	\$ (2.37)
Weighted average number of common shares outstanding		
Basic and diluted	59,993	59,993

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

**PIERIS AG**  
**STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

	<u>Years ended December 31,</u>	
	<u>2013</u>	<u>2012</u>
Net income (loss)	\$66,196	\$(2,320,546)
Other comprehensive loss		
Foreign currency translation adjustments	23,109	(5,980)
Other comprehensive income (loss), before tax	23,109	(5,980)
Comprehensive income (loss) attributable to the owners of Pieris AG	<u>\$89,305</u>	<u>\$(2,326,527)</u>

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

## PIERIS AG

## STATEMENTS OF CASH FLOWS

	Years ended December 31,	
	2013	2012
Cash flows from operating activities:		
Net income (loss)	\$ 66,196	\$ (2,320,546)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation	384,677	378,322
Non-cash interest expense	414,269	100,394
Changes in operating assets and liabilities:		
Restricted cash	114,260	2,877,622
Trade accounts receivable	(337,483)	(123,241)
Prepaid expenses	1,049	(24,714)
Other assets	691,681	(553,881)
Trade accounts payable	(549,405)	(730,237)
Accrued and other liabilities	(3,846,904)	(8,735,103)
Income taxes	(14,822)	43,905
Net cash used in operations	(3,076,482)	(9,087,479)
Cash flows from investing activities:		
Purchase of property and equipment	(49,471)	(132,731)
Proceeds from sale of property and equipment	—	90
Net cash used in investing activities	(49,471)	(132,641)
Cash flows from financing activities:		
Proceeds from convertible stockholder loan	327,210	2,317,308
Net cash provided by financing activities	327,210	2,317,308
Effect of exchange rate change on cash and cash equivalents	161,047	16,921
Net decrease in cash and cash equivalents	(2,637,696)	(6,885,892)
Cash and cash equivalents at beginning of year	6,327,078	13,212,969
Cash and cash equivalents at end of year	\$ 3,689,382	\$ 6,327,078
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 79,668	\$ 77,160
Cash paid (received from) for income taxes	\$ 17,413	\$ (43,196)

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

## PIERIS AG

## STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

	Common shares		Preferred shares Series A		Preferred shares Series A-1		Preferred shares Series B		Additional paid-in capital	Receivable from issuance of shares	Accumulated other comprehensive loss	Accumulated deficit	Total equity
	No. of shares	Share capital	No. of shares	Share capital	No. of shares	Share capital	No. of shares	Share capital					
Balances as of January 1, 2012	59,993	\$ 53,889	324,313	\$ 378,503	132,432	\$ 173,896	462,963	\$ 662,515	\$ 56,400,054	\$ (170,491)	\$ (973,403)	\$ (53,702,734)	\$ 2,822,229
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	(2,320,546)	(2,320,546)
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	(5,980)	—	(5,980)
Waiver of receivable from issuance of shares	—	—	—	—	—	—	—	—	(48,690)	48,690	—	—	—
Balances as of December 31, 2012	59,993	\$ 53,889	324,313	\$ 378,503	132,432	\$ 173,896	462,963	\$ 662,515	\$ 56,351,363	\$ (121,801)	\$ (979,383)	\$ (56,023,280)	\$ 495,702
Net income (loss)	—	—	—	—	—	—	—	—	—	—	—	66,196	66,196
Foreign currency translation adjustment	—	—	—	—	—	—	—	—	—	—	23,109	—	23,109
Balances as of December 31, 2013	<u>59,993</u>	<u>\$ 53,889</u>	<u>324,313</u>	<u>\$ 378,503</u>	<u>132,432</u>	<u>\$ 173,896</u>	<u>462,963</u>	<u>\$ 662,515</u>	<u>\$ 56,351,363</u>	<u>\$ (121,801)</u>	<u>\$ (956,274)</u>	<u>\$ (55,957,084)</u>	<u>\$ 585,007</u>

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



**PIERIS AG**

**NOTES TO FINANCIAL STATEMENTS**

**1. Corporate Information**

Pieris AG (the “Company”) is an independent, clinical-stage biopharmaceutical company focused on the discovery and development of biotherapeutics incorporating its proprietary Anticalin® technology. The registered office of Pieris AG is in Freising-Weihenstephan, Germany.

Pieris AG was founded in 2001 by Prof. Dr. Arne Skerra, Professor at the Technical University of Munich, Germany, and Claus Schalper. Through its Seed (2001), Series A (2002) and A1 (2006) financing rounds, Pieris AG received funding of \$19,242,951 from international life science investors Global Life Science Ventures (lead), Gilde Healthcare Partners (co-lead), Forbion Capital Partners, BayTech Venture Capital, Bio-M, TCB, KfW and BayernKapital. In this context, Pieris AG issued common as well as preferred shares. The Company issued common shares in connection with the Seed financing round and preferred shares in the Series A and Series A1 financing rounds. In March 2008, Pieris AG closed its Series B financing round, raising \$37,216,207 through the issuance of preferred shares.

**2. Summary of Significant Accounting Policies**

**Basis of Presentation**

The accompanying financial statements were prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”).

**Use of Estimates**

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses in the financial statements and disclosures in the accompanying notes. Actual results and outcomes could differ materially from management’s estimates, judgments and assumptions.

**Foreign Currency Translation**

Pieris AG’s reporting currency is U.S. dollars. During the years ended December 31, 2013 and 2012, Pieris AG had operations in Germany with a functional currency of the euro. All amounts in the financial statements where the functional currency is not the U.S. dollar are translated into U.S. dollar equivalents at exchange rates as follows:

- assets and liabilities at period-end rates,
- income statement accounts at average exchange rates for the period, and
- components of equity at historical rates.

Gains and losses from translation of the financial statements into U.S. dollars are recorded in stockholders’ equity as a component of other comprehensive loss. Realized and unrealized gains and losses resulting from foreign currency transactions denominated in currencies other than the functional currency are reflected as general and administrative expenses in the Statements of Operations.

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### **Cash, Cash Equivalents and Restricted Cash**

Cash and cash equivalents consist of cash on deposit in banks and other cash invested temporarily in money-market funds that are highly liquid and have an original maturity of less than 90 days at the date of purchase.

Pieris AG held \$72,497 and \$183,311 in restricted cash as of December 31, 2013 and 2012, respectively. Such bank balances relate to prepayments received by Pieris AG pursuant to EU grants under the EUROCALIN program (see Note 3 *Revenue*). These amounts are restricted to cover future obligations to members of the EUROCALIN consortium; they are not available for use by Pieris AG.

### **Fair Value of Financial Instruments**

ASC Topic 820 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Pieris AG applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

Pieris AG's cash equivalents consist of highly liquid money market funds and are measured at fair value on a recurring basis. These funds are classified as Level 1 in the fair value hierarchy because they are valued using quoted prices for the periods ended December 31, 2013 and 2012. The carrying amounts of \$3,307,520 and \$3,651,949 as of December 31, 2013 and December 31, 2012, respectively, equal the fair value of the cash equivalents.

The Company's other financial instruments include debt instruments (convertible stockholder loan and bank loan) and are classified as Level 2 within the fair value hierarchy. The fair value of these instruments was determined using the discounted cash flow method based on contractual cash flows and the current rate at which debt with similar terms could be issued. The fair values for these debt instruments approximated carrying values as of December 31, 2013 and 2012.

### **Concentration of Credit Risk and Other Risks and Uncertainties**

Financial instruments that subject Pieris AG to concentrations of credit risk include cash and cash equivalents and trade accounts receivable. Pieris AG maintains cash and cash equivalents with various major financial institutions. Pieris AG maintains deposits and owns money market funds only in highly rated financial institutions to minimize the credit risk from the financial institutions. Management periodically reviews the credit standing of these financial institutions and believes that Pieris AG is not exposed to significant credit risk from the institutions in which those deposits are held and through which money-market funds are owned at December 31, 2013 and 2012.

As of December 31, 2013, one collaboration partner accounted for all of Pieris AG's trade accounts receivable. See Note 3 *Revenue*, for additional information regarding Pieris AG's collaboration agreements.

Pieris AG relies on third parties to conduct preclinical and clinical studies. If these third parties do not successfully carry out their contractual duties or meet expected deadlines, Pieris AG may not be able to obtain regulatory approval for Pieris AG's drug candidates and Pieris AG's business could be substantially impacted. Furthermore, Pieris AG is exposed to the risks associated with third parties'

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formulating and manufacturing its preclinical and clinical drug supplies and any approved product candidates. The development and commercialization of any of its drug candidates could be stopped, delayed or made less profitable if those third parties fail to provide Pieris AG with sufficient quantities of such drug candidate or fail to do so at acceptable quality levels, including in accordance with applicable regulatory requirements and prices.

In line with the third-party risk, Pieris AG depends significantly on the Research and Licensing Agreement (or the “TUM License Agreement”) with Technische Universität München (the “TUM” or “Technical University Munich”), under which certain intellectual property rights are exclusively licensed to Pieris AG. In case the TUM License Agreement is terminated by TUM, Pieris AG would be significantly hampered in its efforts to develop and commercialize, as well as to sub-license, the drug candidates covered by such exclusive license.

### **Trade Accounts Receivable**

Trade accounts receivable are recorded net of allowances for doubtful accounts and represent amounts due from third parties and collaboration partners. Management monitors and evaluates collectability of receivables on an ongoing basis and considers whether an allowance for doubtful accounts is necessary. Management determined that no such reserve is needed as of December 31, 2013 and 2012. Historically, Pieris AG has not had collectability issues with third parties and collaboration partners.

### **Property and Equipment**

Property and equipment are recorded at acquisition cost, less accumulated depreciation and impairment. Depreciation on property and equipment is calculated using the straight-line method over the remaining estimated useful lives of the assets. The estimated useful life of the different groups of property and equipment is as follows:

<u>Asset Classification</u>	<u>Estimated useful life (in years)</u>
Leasehold improvements	5 - 13
Laboratory equipment	1 - 14
Office and computer equipment	1 - 15

### **Impairment of Long-lived Assets**

Pieris AG reviews its long-lived assets to be held and used for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. In performing an impairment review, Pieris AG estimates undiscounted cash flows from products that are covered by these assets. An impairment loss would be recognized when estimated undiscounted future cash flows expected to result from the use of the asset and its eventual disposition is less than the carrying amount of the asset. If the evaluation indicates that the carrying value of an asset is not recoverable from its undiscounted cash flows, an impairment loss is measured by comparing the carrying value of the asset to its fair value. No such impairments were recorded during the years ended December 31, 2013 or 2012.

## Revenue Recognition

Pieris AG entered into several licensing and development agreements with collaboration partners for the development of Anticalin® therapeutics against a variety of targets in diseases and conditions. The terms of these agreements contain multiple elements and deliverables, which may include (i) licenses, or options to obtain licenses, to Pieris AG's Anticalin® technology and (ii) research activities to be performed on behalf of the collaborative partner. Payments to Pieris AG under these agreements may include upfront fees (which include license and option fees), payments for research activities, payments based upon the achievement of certain milestones and royalties on product sales. There are no performance, cancellation, termination or refund provisions in any of the arrangements that could result in material financial consequences to Pieris AG. Pieris AG follows the provisions of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 605-25, *Revenue Recognition—Multiple-Element Arrangements* and ASC Topic 605-28, *Revenue Recognition—Milestone Method* in accounting for these agreements.

### Multiple-Element Arrangements

When evaluating multiple-element arrangements, Pieris AG identifies the deliverables included within the agreement and evaluates which deliverables represent separate units of accounting based whether the delivered element has stand-alone value to the collaborator or if the arrangement includes a general right of return for delivered items.

The consideration received is allocated among the separate units of accounting using the relative selling price method, and the applicable revenue recognition criteria are applied to each of the separate units of accounting. Pieris AG has used best estimate of selling price methodology to estimate the selling price for licenses and options to acquire additional licenses to its proprietary technology because Pieris AG does not have Vendor Specific Objective Evidence or Third Party Evidence of selling price for these deliverables. To determine the estimated selling price of a license to its proprietary technology, Pieris AG considers market conditions as well as entity-specific factors, including those factors contemplated in negotiating the agreements, terms of previous collaborative agreements, similar agreements entered into by third parties, market opportunity, estimated development costs, probability of success and the time needed to commercialize a product candidate pursuant to the license. In validating the Company's best estimate of selling price, Pieris AG evaluates whether changes in the key assumptions used to determine the best estimate of selling price will have a significant effect on the allocation of arrangement consideration among multiple deliverables.

Pieris AG typically receives upfront, nonrefundable payments when licensing its intellectual property in conjunction with a research and development agreement. In determining the units of accounting, management evaluates whether the license has stand-alone value from the undelivered elements to the collaborative partner based on the consideration of the relevant facts and circumstances for each arrangement. Factors considered in this determination include the stage of development of the license delivered, research capabilities of the partner and the availability of Anticalin® technology research expertise in the general marketplace.

When management believes the license to its intellectual property does not have stand-alone value from the other deliverables to be provided in the arrangement, Pieris AG generally recognizes revenue attributable to the license on a straight-line basis over Pieris AG's contractual or estimated performance period, which is typically the term of Pieris AG's research and development obligations. When management believes the license to its intellectual property has stand-alone value, Pieris AG recognizes revenue attributed to the license upon delivery. The periods over which revenue should be recognized are subject to estimates by management and may change over the course of the research and development agreement. Such a change could have a material impact on the amount of revenue Pieris AG records in future periods.

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The accounting treatment for options granted to collaborators is dependent upon the nature of the option granted to the collaborative partner. Options are considered substantive if, at the inception of an agreement, Pieris AG is at risk as to whether the collaborative partner will choose to exercise the options to secure additional licenses. Factors that are considered in evaluating whether options are substantive include the overall objective of the arrangement, the benefit the collaborator might obtain from the agreement without exercising the options, the cost to exercise the options relative to the total upfront consideration, and the additional financial commitments or economic penalties imposed on the collaborator as a result of exercising the options.

In arrangements where options to obtain additional licenses are considered substantive, Pieris AG determines whether the optional licenses are priced at a significant and incremental discount. If the prices include a significant and incremental discount, the option is considered a deliverable in the arrangement. However, if not priced at a discount, the elements included in the arrangement are considered to be only the non-contingent elements. When a collaborator exercises an option to acquire an additional license, the exercise fee that is attributed to the additional license and any incremental discount allocated at inception are recognized in a manner consistent with the treatment of up-front payments for licenses (*i.e.*, license and research services). In the event an option expires un-exercised, any incremental discounts deferred at the inception of the arrangement are recognized into revenue upon expiration. For options that are non-substantive, the additional licenses to which the options pertain are considered deliverables upon inception of the arrangement, and Pieris AG applies the multiple-element revenue recognition criteria to determine accounting treatment. All of Pieris AG's agreements with options have been determined to include substantive options.

Payments or reimbursements resulting from Pieris AG's research and development efforts in multi-element arrangements in which Pieris AG's research and development efforts are considered deliverable are recognized as the services are performed and are presented on a gross basis so long as there is persuasive evidence of an arrangement, the fee is fixed or determinable, and collection of the related receivable is reasonably assured. Amounts received prior to satisfying the above revenue recognition criteria are recorded as deferred revenue in the accompanying balance sheets.

### **Milestone Payments and Royalties**

At the inception of each agreement that includes milestone payments, Pieris AG evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity's performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity's performance to achieve the milestone, (b) the consideration relates solely to past performance and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. Pieris AG evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

Pieris AG aggregates milestones into three categories (i) research milestones, (ii) development milestones and (iii) commercial milestones. Research milestones are typically achieved upon reaching certain success criteria as defined in each agreement related to developing an Anticalin® protein against the specified target. Development milestones are typically reached when a compound reaches a defined phase of clinical research or passes such phase, or upon gaining regulatory approvals. Commercial milestones are typically achieved when an approved pharmaceutical product reaches the status for commercial sale or certain defined levels of net sales by the licensee, such as when a product first achieves global sales or annual sales of a specified amount.

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For revenues from research and development milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, such amounts are recognized entirely upon successful accomplishment of the milestones. Milestones that are not considered substantive are accounted for as license payments and recognized on a straight-line basis over the period of performance. To date, Pieris AG has determined all milestones are substantive. Revenues from commercial milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met. Royalty payments are recognized in revenues based on the timing of royalty payments earned in accordance with the agreements, which typically is the period when the relevant sales occur, assuming all other revenue recognition criteria are met.

### **Government Grants**

Government grants are recognized when there is reasonable assurance that all conditions will be complied with and the grant will be received. As the government grants generally represent subsidies for specified activities, they are recognized when earned as revenue from grants.

Funds received that are not related to research and development expenses that have already been incurred, such as the EUROCALIN grant, are recorded as deferred revenue until such time that the related expenses have been incurred by Pieris AG or by one of the other members of the EUROCALIN consortium. At the time eligible expenses are incurred, the applicable portion of deferred revenue according to the respective funding rates is recorded as revenue from grants.

### **Research and Development**

Research and development costs are charged to expense as incurred. Research and development expenses consist of expenses incurred in performing research and development activities, including salaries and benefits; overhead expenses, including facilities expenses; materials and supplies; preclinical expenses; clinical trial and related clinical manufacturing expenses; depreciation of equipment; contract services; and other outside expenses. Legal fees incurred for patent application costs have been charged to expense and reported in research and development expenses.

### **Income Taxes**

Pieris AG applies ASC 740 – *Income Taxes*, which established financial accounting and reporting requirements for the effects of income taxes that result from Pieris AG's activities during the current and preceding years. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating losses and tax credit carry forwards. Deferred tax assets and liabilities are measured using enacted statutory tax rates expected to apply to taxable income in the jurisdictions and years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Where Pieris AG determines that it is more likely than not that some portion or all of the deferred tax assets will not be realized in the future, the deferred tax assets are reduced by a valuation allowance.

### **Share-based Payments**

Pieris AG measures share-based payments in accordance with ASC Topic 718, Compensation – Stock Compensation. Determining the appropriate fair value model and related assumptions requires judgment, including estimating share price volatility and expected terms of the awards. For employee options, the fair value measurement date is generally on the date of grant and the related compensation expense is recognized on a straight-line basis over the requisite period of the awards, less expense for expected forfeitures. Share-based compensation expense related to stock options granted to non-employees is recognized as the services are rendered on a straight-line basis.

Pieris AG granted share-based payments in the form of cash-settled options to employees and non-employees in two different contracts. These share-based payments were only exercisable upon an exit event (*i.e.* any liquidation, dissolution or winding up of Pieris AG, including any merger or consolidation into or any other corporation or sale of more than 70% of Pieris AG's assets or 50% of Pieris AG's shares) before December 31, 2013. As the achievement of the performance condition (exit event) did not occur before the expiration of the vesting period, no expenses were recorded during the years ended December 31, 2013 and 2012. All of the options expired as of December 31, 2013.

### **Contingencies**

Accruals are recorded for loss contingencies when it is probable that a liability has been incurred and the amount of the related loss can be reasonably estimated. Pieris AG evaluates, on a quarterly basis, developments in legal proceedings and other matters that could cause an increase or decrease in the amount of the liability that has been accrued previously. Considering facts known at the time of the assessment, Pieris AG determines whether potential losses are considered reasonably possible or probable and whether they are estimable. Based upon this assessment, Pieris AG carries out an evaluation of disclosure requirements and considers possible accruals in the financial statements.

### **Segment Reporting**

Operating segments are identified as components of an enterprise about which separate discrete financial information is available for evaluation by the chief operating decision maker in making decisions on how to allocate resources and assess performance. Pieris AG operates as a single segment dedicated to the discovery and development of biotechnological applications and accordingly, views its operations and manages its business in one operating segment.

### **Basic and Diluted Earnings per Share**

Pieris AG computes basic earnings per share by dividing net income (loss) attributable to common stockholders by the weighted-average number of shares of common stock outstanding during the period. Pieris AG computes diluted earnings per share after giving consideration to dilutive effects that existed during the respective period. Potentially dilutive securities issuable upon conversion of the Convertible Stockholder Loan 2012 are not included in the calculations of diluted net income (loss) per share, as their inclusion would be anti-dilutive. Potential common shares issuable upon conversion from preferred shares that are convertible into common stock by resolution adopted by stockholders at a meeting are considered as securities participating in dividends (whether paid or unpaid) pursuant to the two-class method. However, the conversion of preferred shares into common shares does not impact diluted net income (loss) per share because the conversion would be contingent upon a substantive non-market condition in accordance with ASC 260. Therefore, basic and diluted income (loss) per share are the same for the years ended December 31, 2013 and 2012 as no dilutive effects existed.

### **Adoption of New Accounting Standards**

In December 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-11, “*Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*,” (ASU 2011-11). ASU 2011-11 enhances disclosures regarding financial instruments and derivative instruments. Entities are required to provide both net information and gross information for these assets and liabilities in order to enhance comparability between those entities that prepare their financial statements on the basis of U.S. GAAP and those entities that prepare their financial statements on the basis of IFRS. The requirements of ASU 2011-11 are to be applied retrospectively and became effective for Pieris AG on January 1, 2013. There were no offsetting arrangements during 2013 or 2012, and therefore the adoption of this standard update did not have an effect on the disclosures.

In July 2012, the FASB issued ASU No. 2012-02, “*Intangibles-Goodwill and Other (Topic 350): Testing Indefinite-Lived Intangible Assets for Impairment*” (ASU 2012-02), allowing entities the option to first assess qualitative factors to determine whether it is necessary to perform the quantitative impairment test. If the qualitative assessment indicates it is more-likely-than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, the quantitative impairment test is required. Otherwise, no testing is required. ASU 2012-02 became effective for Pieris AG in the period beginning January 1, 2013, and its adoption did not have an effect on the Pieris AG’s financial position, results of operations or cash flows.

In July 2013, the FASB issued ASU No. 2013-10 (ASU 2013-10), “*Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*” (a consensus of the FASB F- 10 Emerging Issues Task Force), which permits the use of the Fed Funds Effective Swap Rate (also referred to as the Overnight Index Swap Rate), in addition to the U.S. Treasury rate (UST) and London Interbank Offered Rate (LIBOR), as a U.S. benchmark interest rate for hedge accounting purposes under FASB ASC Topic 815, *Derivatives and Hedging*. Under ASU 2013-10, entities should apply the ASU prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. Pieris AG did not have any qualifying or redesignated hedging relationships during 2013 and 2012, and therefore the adoption of this standard update did not have an effect on the Pieris AG’s financial position, results of operations or cash flows.

### **New Accounting Standards Not Yet Adopted**

In February 2013, the FASB issued ASU No. 2013-02, “*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*” (ASU 2013-02). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income (AOCI) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 became effective for non emerging growth companies for reporting periods beginning after December 15, 2012. For Pieris AG as an emerging growth company ASU 2013-02 will become effective on January 1, 2014. Pieris AG does not expect the adoption of these provisions to have a material impact on the Company’s financial statements.



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In February 2013, the FASB issued Accounting Standards Update No. 2013-04, “*Liabilities (Topic 405) - Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*” (ASU 2013-04). The amendments in this update provide guidance for the recognition, measurement, and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this update is fixed at the reporting date, except for obligations addressed within existing guidance in U.S. GAAP. The guidance requires an entity to measure those obligations as the sum of the amount the reporting entity agreed to pay on the basis of its arrangement among its co-obligors and any additional amount the reporting entity expects to pay on behalf of its co-obligors. The guidance in this update also requires an entity to disclose the nature and amount of the obligation as well as other information about such obligations. The requirements of ASU 2013-04 will become effective for non emerging growth companies for reporting periods beginning after December 15, 2013. For Pieris AG as an emerging growth company ASU 2013-04 will become effective on January 1, 2015. Pieris AG does not expect the adoption of these provisions to have a material impact on the Company’s financial statements.

In March 2013, the FASB issued Accounting Standards Update No. 2013-05, “*Foreign Currency Matters (Topic 830): Parent’s Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity*” (ASU 2013-05). The amendments in ASU 2013-05 provide guidance on releasing Cumulative Translation Adjustments (CTA) when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets that is a nonprofit activity or a business within a foreign entity. In addition, these amendments provide guidance on the release of CTA in partial sales of equity method investments and in step acquisitions. For public entities, the amendments are effective on a prospective basis for fiscal years and interim reporting periods within those years, beginning after December 15, 2013. The amendments should be applied prospectively to de-recognition events occurring after the effective date. Prior periods should not be adjusted and early adoption is permitted. ASU 2013-05 will become effective for non emerging growth companies for reporting periods beginning after December 15, 2013. For Pieris AG as an emerging growth company ASU 2013-05 will become effective on January 1, 2015 and Pieris AG does not expect these provisions to have a material impact on the Company’s financial statements.

In July 2013, the FASB issued Accounting Standards Update No. 2013-11 (ASU 2013-11), “*Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*” (a consensus of the FASB Emerging Issues Task Force), which requires an entity to present an unrecognized tax benefit as a reduction of a deferred tax asset for a net operating loss (NOL) carryforward, or similar tax loss or tax credit carryforward, rather than as a liability when

- the uncertain tax position would reduce the NOL or other carryforward under the tax law of the applicable jurisdiction and
- the entity intends to use the deferred tax asset for that purpose.

The ASU does not require new disclosures and is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. Early adoption and retrospective application are permitted. ASU 2013-11 will become effective for non emerging growth companies for reporting periods beginning after December 15, 2013. For Pieris AG as an emerging growth company ASU 2013-11 will become effective on January 1, 2015, and the Company is in the processes of evaluating of the impact the adoption will have on its financial statements.

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In May 2014 the FASB issued Accounting Standards Update (ASU) No. 2014-09 *Revenue from Contracts with Customers*.

ASU 2014-09 affects contracts with customers to transfer goods or services or contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards. This ASU will supersede the revenue recognition requirements in Topic 605, *Revenue Recognition*, and most industry-specific guidance. This ASU also supersedes some cost guidance included in Subtopic 605-35, *Revenue Recognition—Construction-Type and Production-Type Contracts*. In addition, the existing requirements for the recognition of a gain or loss on the transfer of nonfinancial assets that are not in a contract with a customer (e.g., assets within the scope of Topic 360, *Property, Plant, and Equipment*, and intangible assets within the scope of Topic 350, *Intangibles—Goodwill and Other*) are amended to be consistent with the guidance on recognition and measurement in this ASU.

The core principle of the guidance is that an entity should recognize revenue consistent with the performance obligation to transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

For a public entity, the amendments in this ASU are effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early application is not permitted. For Pieris AG as an emerging growth company ASU 2014-09 will become effective effective for annual reporting periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. Pieris AG is evaluating the impact of the adoption of the standard on its financial statements.

In June 2014 the FASB issued Accounting Standards Update (ASU) No. 2014-12 “*Accounting for Share-Based Payments When the Terms of an Award Provide that a Performance Target Could be Achieved after the Requisite Service Period.*”

The amendments in this Update apply to all reporting entities that grant their employees share-based payments in which the terms of the award provide that a performance target that affects vesting could be achieved after the requisite service period. That is the case when an employee is eligible to retire or otherwise terminate employment before the end of the period in which a performance target (for example, an IPO or a profitability target) could be achieved and still be eligible to vest in the award if and when the performance target is achieved.

For all entities, the amendments in this Update are effective for annual periods and interim periods within those annual periods beginning after December 15, 2015. Earlier adoption is permitted. The effective date is the same for both public business entities and all other entities.

Entities may apply the amendments in this Update either (a) prospectively to all awards granted or modified after the effective date or (b) retrospectively to all awards with performance targets that are outstanding as of the beginning of the earliest annual period presented in the financial statements and to all new or modified awards thereafter. If retrospective transition is adopted, the cumulative effect of applying this Update as of the beginning of the earliest annual period presented in the financial statements should be recognized as an adjustment to the opening retained earnings balance at that date. Pieris AG is still evaluating the impact of the adoption of the standard on the financial statements.

In August 2014, the FASB issued ASU No. 2014-15, “*Receivables – Troubled Debt Restructurings by Creditors (Subtopic 310-40): Classification of Certain Government-Guaranteed Mortgage Loans upon Foreclosure*” (ASU 2014-15).

ASU 2014-15 is an authoritative accounting guidance related to management’s responsibility to evaluate whether there is substantial doubt about an entity’s ability to continue as a going concern and to provide related footnote disclosures. Management’s evaluation should be based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued. In doing so, the amendments should reduce diversity in the timing and content of footnote disclosures. This guidance is effective for Pieris AG for annual periods ending after December 15, 2016, and interim periods thereafter. Early adoption is permitted. The Company is currently assessing the expected impact, if any, that this ASU will have on our consolidated financial statements.

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### 3. Revenue

#### General

Pieris AG has not generated revenue from product sales. Pieris AG has generated revenue pursuant to (i) license and collaboration agreements, which include upfront payments for licenses or options to obtain licenses, payments for research and development services and milestone payments, and (ii) government grants, which are shown in the table below for periods specified:

	Years ended December 31,	
	2013	2012
License fees	\$ 5,159,425	\$ 5,773,728
Research and development services	3,591,855	3,794,022
Milestone payments	1,128,630	257,200
Government grants	2,547,382	1,558,372
<b>Total Revenue</b>	<b>\$12,427,292</b>	<b>\$11,383,322</b>

Revenue from two collaboration partners and from one government grant exceeded 10% of total revenue, amounting to \$5,573,441, \$4,168,278 and \$2,430,358, respectively, in the year ended December 31, 2013 and \$7,306,622, \$2,507,287 and \$1,179,242, respectively, in the year ended December 31, 2012.

#### Collaborations and Other Agreements

##### Allergan Inc.

In August 2009, pursuant to an agreement with Allergan Inc. (“Allergan”), Pieris AG granted Allergan a worldwide exclusive license to develop and commercialize certain drug candidates for the treatment and prevention of ocular diseases. Allergan is responsible for the research, development, manufacturing and commercialization of any products resulting from the license. Pieris AG received a non-refundable upfront payment of \$10 million upon execution of the contract in 2009 and is entitled to receive up to an aggregate of \$13 million in milestone payments upon the achievement of certain commercial milestones or patents granted to Pieris AG by the United States Patent and Trademark Office that cover a product licensed to Allergan.

At the inception of the agreement, Pieris AG recognized revenue from the upfront license payment because, based on the stage of development of the licensed product delivered and the development capabilities of Allergan, Pieris AG determined that the license had standalone value. Through December 31, 2013, none of the milestones had been achieved and, as such, Pieris AG has not recognized milestone-related revenues.

##### Daiichi Sankyo Co., Ltd.

In May 2011, Pieris AG entered into an agreement with Daiichi Sankyo Co., Ltd. (“Daiichi Sankyo”), under which Pieris AG will use its proprietary Anticalin® scaffold technology to identify drug candidates against certain targets selected by Daiichi Sankyo, with further development and commercialization performed by Daiichi Sankyo. For any targets selected by Daiichi Sankyo, Pieris AG granted an exclusive, worldwide license for the research, development and commercialization of drug candidates identified by Pieris AG. As of the date of this report, Pieris AG has handed over further development responsibility for the two collaboration projects to Daiichi Sankyo, which handovers occurred in March 2013 and June 2014.

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Upon execution of the agreement, Daiichi Sankyo paid Pieris AG a non-refundable upfront payment in the amount of \$10.1 million in consideration for the licenses, and for each licensed product Pieris AG is entitled to receive potential milestone payments of \$112.1 million, plus royalties on the commercial sales of any commercial products. The total milestones are categorized as follows: research milestones—\$3.2 million; development milestones—\$46.1 million; commercial milestones—\$61.9 million; additional diagnostic milestones—\$0.9 million. At the inception of the agreement, these milestones were determined to be substantive as there was substantial uncertainty the milestones would be achieved, they would require substantial performance from the entity, and the consideration was reasonable relative to other deliverables. The agreement includes provisions for Pieris AG to provide research services funded by Daiichi Sankyo at agreed upon full-time employee rates during the initial identification and research period.

In accordance with the guidance in ASC 605-25, Pieris AG identified the licenses and research funding as deliverables at the inception of the arrangement. Pieris AG has determined that the licenses and research services provided by Pieris AG represent one unit of accounting because, based on the stage of development of the licensed product the research services provided by Pieris AG to identify drug candidates using Pieris AG's proprietary Anticalin technology against Daiichi Sankyo's selected targets were necessary before the licenses would have any standalone value. Therefore, the total arrangement consideration was recognized over the estimated period of substantial involvement, which was determined to be the period during Pieris AG was required to provide research services to discover drug candidates against targets identified. Pieris AG estimated that this period would be approximately two years. Pieris AG reassesses the estimated term at the end of each reporting period.

Pieris AG recognized milestone payments of \$1.1 million as revenues for the year ended December 31, 2013 and a milestone payment of \$0.3 million as revenue for the year ended December 31, 2012. The milestone payments in 2013 resulted from the achievement of a success milestone, the initiation of Phase B. The milestone could not be achieved solely upon the passage of time. For revenue recognition purposes, management determined this milestone to be substantive in accordance with applicable accounting guidance related to milestone revenue. Substantive uncertainty existed at the inception of the arrangement as to whether the milestone would be achieved because of the numerous variables, such as the high rate of failure inherent in research and development activities and the uncertainty involved with obtaining regulatory approval. Therefore, the milestone payments were recognized in their entirety as revenues during the year ended December 31, 2013.

For the year ended December 31, 2013, Pieris AG recognized \$5.6 million in revenues related to the Daiichi Sankyo collaboration, of which \$1.1 million related to the achievement of milestones. For the year ended December 31, 2012, Pieris AG recognized \$7.3 million in revenues, of which \$0.3 million related to the achievement of milestones.

### **Sanofi-Aventis and Sanofi-Pasteur**

In September 2010, Pieris AG entered into an agreement with Sanofi-Aventis and Sanofi Pasteur ("Sanofi"), under which Pieris AG agreed to apply its proprietary Anticalin technology to identify drug candidates against certain targets selected by Sanofi, with further development and commercialization performed by Sanofi. The agreement included the initial identification of two targets by Sanofi, with options to select up to four additional targets. For any targets selected by Sanofi, Pieris AG granted an exclusive, worldwide license for the research, development and commercialization of drug candidates identified by Pieris AG. In addition to the two initial targets selected by Sanofi, Sanofi exercised one of the four options and received a license. The remaining three options expired unexercised.

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Upon execution of the agreement, Sanofi paid Pieris AG an upfront payment of \$4.9 million in consideration for licenses on the first two targets and options to select an additional four licenses on other targets (with each option requiring an additional upfront payment upon exercise). Additionally, for each licensed product, Pieris AG is entitled to receive milestone payments up to \$63.6 million, plus royalties on the sales of any commercial products. The total milestones are categorized as follows: research milestones—\$2.3 million; development milestones—\$36.5 million; commercial milestones—\$24.8 million. At the inception of the agreement, these milestones were determined to be substantive because (i) there was substantial uncertainty the milestones would be achieved, (ii) they would require substantial performance from the entity, and (iii) the consideration was reasonable relative to other deliverables. No milestones had been achieved through December 31, 2013. The agreement includes provisions for Pieris AG to provide research services funded by Sanofi at agreed upon full-time employee equivalent rates during the initial identification and research period.

In accordance with the guidance in ASC 605-25, Pieris AG identified the licenses, options to obtain additional licenses and research funding as deliverables at the inception of the arrangement. The options were considered to be substantive at the inception of the agreement. Factors considered in determining the options were substantive were whether (i) Sanofi could obtain the overall objective of the agreement without exercising any options, (ii) Sanofi was able to obtain value from the initial licenses obtained without exercising any options, (iii) the cost to exercise the options was significant to the total upfront payment of \$4.9 million for two licenses and four options, and (iv) exercising the option created additional financial commitments for Sanofi or imposed economic penalties on Sanofi.

Pieris AG has determined that, for each program selected by Sanofi, the license and research services provided by Pieris AG represent one unit of accounting because, based on the stage of development of the licensed product, the research services provided by Pieris AG to identify drug candidates using Pieris AG's proprietary Anticalin technology against Sanofi's selected targets were necessary before the licenses would have any standalone value.

The estimated selling prices for the licenses in the agreement are Pieris AG's best estimate of selling price and were determined based on market conditions and entity-specific factors such as considerations of preclinical and clinical testing results and Pieris AG's pricing practices and pricing objectives. The estimated selling price of research services are Pieris AG's best estimate of selling price and are determined based on market conditions and entity-specific factors such as internal cost considerations and Pieris AG's pricing practices and pricing objectives.

At inception, the total arrangement consideration of \$8.1 million (which comprises the \$4.9 million upfront payment and the expected fees for the research services to be provided under the remainder of the arrangement) was allocated to the deliverables based on the relative selling price method as follows: \$3.5 million to the licenses, \$1.4 million to the four options to acquire additional licenses and \$3.2 million to the estimated research services to be provided. As the license and research services were determined to be one unit of accounting, the consideration allocated to each license is recognized over the period of substantial involvement, which was determined to be the period during Pieris AG was required to provide research services to discover drug candidates against targets identified, approximately two years. Pieris AG reassesses the estimated term at the end of each reporting period. At the end of 2012, Pieris AG determined that the required research term for one of the initial terms would extend to a period of 40 months, and management updated the estimated required service period to amortize the remaining deferred upfront payment over the new term. Two of the four options expired un-exercised in 2011, and as a result Pieris AG recognized \$0.7 million of revenue upon expiration. The option term for the remaining two options was extended to February 2013, and Sanofi exercised one option to obtain an additional license. For the exercised option, the allocated consideration of \$0.35 million for the option and the \$1.4 million payment of the exercise price were deferred and amortized over the expected required service period of approximately two years. The program covered by the exercised option was terminated in December 2013, and accordingly, Pieris AG recognized the remaining deferred revenue upon termination. The remaining option expired in February 2013 and the allocated consideration of \$0.35 million was recognized into revenue at the time of expiration.

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For the years ended December 31, 2013 and 2012, the Company recognized \$4.2 million and \$2.5 million, respectively, related to the Sanofi collaboration, none of which related to the achievement of milestones.

### **Stelis BioPharma**

Pieris AG entered into an agreement with Stelis BioPharma Private Limited (“Stelis”) on November 21, 2013, pursuant to which, Pieris AG collaborates with Stelis in the development of certain Anticalin<sup>®</sup> drug candidates, primarily for use in the treatment, palliation or prevention of ophthalmology-related diseases. Both parties may establish a joint venture for further development and commercialization of one or more such products in the future. Pieris AG granted Stelis a royalty-free, co-exclusive license within a specified field. Stelis is responsible for further developing the chosen candidates and taking them through certain development stages and bears all related expenses.

The license granted refers to products (Anticalin<sup>®</sup> proteins) which have already been researched and developed by Pieris AG independently before the arrangement with Stelis.

No payments have been received under this agreement, and thus, no revenues have been recognized.

### **Cadila Healthcare Limited**

On October 7, 2013, Pieris AG entered into an agreement with Cadila Healthcare Limited (“Zydus”), under which Pieris AG granted to Zydus an exclusive, royalty-bearing license to use, sell, and import/export certain Anticalin<sup>®</sup> drug products, including the right to grant sublicenses in a specified territory. Zydus also received a co-exclusive royalty-free license to research, develop and produce a product in the specified territory as well as to conduct research and manufacture a product in specified field, as long as such activities are solely the development or commercialization in Zydus’ territory as defined in the agreement. Pieris AG received under the agreement a non-exclusive, royalty-free, world-wide license to exploit know-how and intellectual property that was made available to Zydus before October 7, 2013. Both parties agreed upon several milestone payments as well as a sharing of out-licensing revenue.

No payments have been received under this agreement, and thus, no revenues have been recognized.

### **Other Arrangement**

Pieris AG entered into a materials transfer agreement, which is effective as of January 14, 2013. Under this arrangement the partner tests certain Pieris Anticalin<sup>®</sup> proteins with certain proprietary materiel, conducts certain purification and characterization studies on the resulting combined products and subsequent preclinical studies. Pieris AG produces and supplies Anticalin<sup>®</sup> proteins and receives research reports from the partner. Each party is otherwise responsible for its own costs and expenses. Pieris AG recognized research and development services revenue of \$138,091 in the year ended December 31, 2013 under this arrangement.

## **Government Grants**

### **BioChancePLUS**

BioChancePLUS is a program of the German Federal Ministry of Education and Research to support research and development projects in the field of modern biotechnology in which high risk is involved. The grant is provided to small and medium sized enterprises (SMEs) according to the definition of the European Commission. The program applies to cooperative projects between SMEs or SMEs and educational facilities, such as universities.

Pieris AG was awarded a BioChancePLUS grant in January 2008, which grant provided funding until September 30, 2012. Pieris AG received quarterly payments covering expenses it had occurred. Pieris AG received \$92,956 during the year ended 2012 and recorded such amounts as revenue.

### **BioCluster m4**

In 2011 Pieris AG applied for a government grant from the German Federal Ministry for Education and Research for the project “Spitzencluster m4, Cooperation personalized medicine: ‘Preclinical development of PRS-110 an Anticalin targeted against c-Met as a monovalent antagonist in the field of oncology (PM18).’” The funding rate amounts 40% of the actual costs incurred, with an aggregate cap of \$1,375,017 for the approval period from February 1, 2012 to September 30, 2014. The amounts received are non-refundable, and the grant funds may only be claimed for costs incurred within the approval period.

The payments are received quarterly in arrears based on expenses already incurred. Pieris AG received \$117,023 and \$286,175 for the years ended December 31, 2013 and 2012, respectively, which was recorded as grant revenue.

### **Seventh Research Framework Program (FP7) – Collaborative Project “EUROCALIN – European consortium for antiCALINs as next generation high-affinity protein therapeutics” (EUROCALIN)**

EUROCALIN is a program that started in August 2011 with the objective of developing and producing new high-affinity protein scaffolds for therapeutic use. The focus is on the development of non-immunoglobulin protein scaffolds as alternatives to antibodies and oligo-nucleotides. The grant involves a consortium of ten companies and universities in Europe and was initiated for a collaboration focused on attaining and completing initial clinical development of a novel Anticalin therapeutic. The consortium is seeking to develop, manufacture and clinically test an Anticalin specific for hepcidin. The program is a small-molecule enhancers (SME) targeted project, which is funded by the European Union (“EU”) in the amount of \$8,259,600 and also includes a respective funding rate of approximately 64% of the eligible costs occurred in connection with the research project. All payments received from the EU in that connection are non-refundable. Under this grant agreement, Pieris AG is the coordinator. The EU has scheduled three tranches of payments. The first tranche (pre-financing) was received as of December 7, 2011 and the second tranche as of August 4, 2013, but the third tranche was not received as scheduled as of December 31, 2013. Pieris AG as a coordinator receives all payments from the grant. The other members of the consortium are entitled to payment based on submission of invoices of eligible costs. Pieris AG pays the other members of the consortium based on the eligible costs.

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Pieris AG received the following amounts:

	Years ended December 31,	
	2013	2012
Amounts received	\$2,915,559	\$ —
Revenue from grant	\$2,430,358	\$1,179,242

The following balance sheet items relate to the FP7 agreement:

	December 31,	
	2013	2012
Other current assets (receivables from FP7 grant)	\$261,568	\$844,719
Cash (restricted cash)	\$ 72,497	\$183,311
Deferred revenue	\$ 69,444	\$177,396

#### 4. Property and Equipment, net

Property and equipment are summarized as follows:

	December 31,	
	2013	2012
Leasehold improvements	\$ 57,779	\$ 55,466
Laboratory equipment	4,093,704	3,921,030
Office and computer equipment	389,368	337,389
<b>Property and equipment at cost</b>	<b>4,540,852</b>	<b>4,313,885</b>
Accumulated depreciation	(2,103,175)	(1,640,203)
<b>Property and equipment, net</b>	<b>\$ 2,437,677</b>	<b>\$ 2,673,682</b>

Accumulated depreciation for each asset group is summarized as follows:

	Years ended December 31,	
	2013	2012
Leasehold improvements	\$ 37,904	\$ 30,570
Laboratory equipment	1,845,098	1,454,661
Office and computer equipment	220,172	154,971
<b>Total accumulated depreciation</b>	<b>\$2,103,174</b>	<b>\$1,640,202</b>

Depreciation expense was \$384,677 and \$378,322 for the years ended December 31, 2013 and 2012, respectively. There were no other changes in accumulated depreciation other than foreign currency impact.



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## 5. Income Taxes

The income tax benefits are as follows:

	Years ended December 31,	
	2013	2012
Current	\$ —	\$ 22
<b>Total income tax benefit</b>	<b>\$ —</b>	<b>\$ 22</b>

The applicable German statutory tax rate was 29.13% for the years ended December 31, 2013 and 2012. The principal differences between income taxes computed at the German statutory tax rate and the effective tax rate are as follows:

	Years ended December 31,	
	2013	2012
Income tax expense (benefit) at the German statutory rate	\$ 19,280	\$(675,866)
Increase in allowances on deferred tax assets	(37,210)	666,417
Nondeductible expenses	17,930	9,444
Other	—	(17)
<b>Total income tax expense (benefit)</b>	<b>\$ —</b>	<b>\$ (22)</b>

The components of deferred tax assets and liabilities related to net tax effects of temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and the amounts used for income taxes purposes were as follows:

	December 31,	
	2013	2012
<b>Deferred tax assets</b>		
Net operating loss carryforwards	\$16,859,179	\$15,174,927
Deferred revenue	138,378	1,243,487
Equity issuance cost	102,935	98,813
Bank loan	23,014	—
Total deferred tax assets	<u>17,123,506</u>	<u>16,517,227</u>
Valuation allowance	<u>17,053,767</u>	<u>16,407,955</u>
Net deferred tax assets	69,739	109,272
<b>Deferred tax liabilities</b>		
Useful life adjustment fixed assets	54,303	70,790
Bank loan	—	12,343
Adjustment restoration costs	—	10,008
Adjustment accruals	15,436	7,120
Market value of money market funds	—	9,011
Total deferred tax liabilities	<u>69,739</u>	<u>109,272</u>
Net deferred tax asset/(liability)	<u>\$ —</u>	<u>\$ —</u>

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There were no other changes in the valuation allowance of deferred tax assets other than foreign currency impact.

As of December 31, 2013 and 2012, Pieris AG had net operating loss carryforwards on German corporate income tax of \$58,500,460 and \$52,637,482, respectively, and on trade tax of \$57,153,994 and \$51,466,509, respectively. The operating loss carryforwards generated are subject to restrictions under German tax law. These regulations may limit the future use of operating loss carryforwards if there is a change in ownership. After the balance sheet date, as a result of the Acquisition, the Company may have lost some or all of the unused German corporate income and trade tax loss carryforwards existing or realized at the time of the Acquisition.

Management of Pieris AG has evaluated the evidence bearing upon the realizability of its deferred tax assets, including Pieris AG's history of operating losses, and has concluded that it is more likely than not that Pieris AG may not realize the benefit of its deferred tax assets. Accordingly, the deferred tax assets have been fully reserved to the extent not offset by deferred tax liabilities at December 31, 2013 and 2012. The valuation allowance increased by \$645,812 during the year ended December 31, 2013 primarily as a result of foreign currency impact. As there are currently no significant uncertain tax positions, no liability for unrecognized tax positions have been recognized. Pieris AG files tax returns in Germany and is generally no longer subject to tax examinations for years prior to 2009.

## 6. Debt

### Convertible Stockholder Loans

On November 12, 2012, Pieris AG and several of its stockholders (the "Investors") entered into an unsecured Convertible Stockholder Loan Agreement (the "Bridge Loan"). The outstanding principal under the Bridge Loan as of December 31, 2013 and 2012 was \$2,753,200 and \$2,317,308 respectively. The Bridge Loan includes a conversion feature to convert the loan amounts at the option of the Investors into Series B preferred shares of Pieris AG contingent upon certain conversion conditions. The Bridge Loan specifies a maturity date of December 31, 2013 and an interest rate of 12% per year before the maturity date. The agreement further provides that in case the loan amounts have not been repaid at the maturity date, the outstanding amounts will be subject to an interest rate of 18% per year for periods after the maturity date. The Bridge Loan does not contain financial or non-financial covenants.

Under the Bridge Loan, the Investors have the option to convert the outstanding principal into Series B preferred shares on or after December 31, 2013. The Bridge Loan also provided an option for the Investors to convert upon the closing of a qualified financing or an exit event, as defined in the Bridge Loan, prior to the maturity date of December 31, 2013. As a qualified financing or exit event did not occur prior to December 31, 2013, this conversion option is no longer available.

As of December 31, 2013, the Bridge Loan was still outstanding and therefore the first conversion option became available, however the feature was deemed not to be beneficial.

In accordance with the Bridge Loan, Pieris recognized interest expense of \$317,014 and \$15,543 for the years ended as of December 31, 2013 and 2012, respectively. The accrued interest balances as of December 31, 2013 and 2012 included in the convertible stockholder loan on the balance sheets were \$345,302 and \$15,971, respectively. No principal or interest payments were made for the Bridge Loan in 2013 or 2012 (see Note 11, Subsequent Events "Amendment to Convertible Bridge Loan Agreement dated November 12, 2012").

Four significant stockholders of Pieris AG — Orbimed Private Investments III, Gilde Europe Food & Agribusiness Fund B.V., The Global Life Science Ventures Fund and Coöperative AAC LS U.A. (Forbion B.V.) — are among the Investors in Bridge Loan. Pieris AG recorded related-party interest expense concerning the Bridge Loan in the amounts set forth in the table below:

	Years ended December 31,	
	2013	2012
Orbimed Private Investments III, LP	\$ 78,411	\$ 4,430
The Global Life Science Ventures Fund	70,131	1,297
Gilde Europe Food & Agribusiness Fund B.V.	67,083	4,331
Coöperative AAC LS U.A. (Forbion B.V.)	34,930	1,879
<b>Sum of related-party interest expense related to the Convertible Bridge Loan</b>	<b>\$ 250,555</b>	<b>\$ 11,937</b>

## Unsecured Bank Loan

In May 2003, Pieris AG signed an unsecured loan agreement (the “Bank Loan”) with Technologie-Beteiligungs-Gesellschaft (“TBG”), a minority interest stockholder. As of December 31, 2013 and 2012 outstanding principal was \$1,032,450 and \$991,110, respectively. No principal payments were made for in 2013 or 2012. The key terms of the Bank Loan are as follows:

- The original maturity date of the Bank Loan was December 31, 2013.
- Interest at 8% per year is required to be paid on a semi-annual basis, which resulted in interest expense of \$79,668 and \$77,160, in 2013 and 2012. The amounts reflected on the balance sheets in Other current liabilities total \$20,649 and \$19,822 as of December 31, 2013 and 2012, respectively.
- A repayment fee of 30% and an additional interest premium of 6% (effective beginning June 2008) of the loan amount are due when the principal is paid, which resulted in total interest expense of \$97,255 and \$84,422 in 2013 and 2012, respectively. The amounts reflected on the balance sheets in Bank loan include accrued interest of \$619,470 and \$497,874 as of December 31, 2013 and 2012, respectively.
- 12% per year of the German GAAP net income, adjusted for certain items per the Bank Loan, is payable to TBG. As the adjusted German GAAP net income amounts for Pieris AG were negative for all years, no amounts were recorded for this provision.
- There are no financial or non-financial covenants.

As of December 31, 2013 Pieris AG did not repay the outstanding balance of \$1,651,920 of the Bank Loan. However, as of April 3, 2014 Pieris AG and TBG signed a repayment agreement concerning Pieris AG’s repayment of its liabilities to TBG outstanding at December 31, 2013 in a total amount of €1.2 million (\$1.65 million). The principal amount bears interest at a rate of 10.53%. Under the repayment agreement, Pieris AG has agreed to a payment schedule pursuant to which it will make semi-annual payments until 2016. In December 2014, the repayment has been further modified (see Note 11, Subsequent Events “Unsecured Bank Loan”).

The following table summarizes Pieris AG’s financial obligations for the next five years and thereafter as of December 31, 2013:

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>Thereafter</u>	<u>Total</u>
Convertible stockholder loan, including accrued interest	\$ —	\$3,089,502	\$ —	\$—	\$—	\$ —	\$3,089,502
Bank loan, including accrued interest	\$206,490	\$ 688,300	\$757,130	\$—	\$—	\$ —	\$1,651,920

## 7. Stockholders' Equity

### Common Stock

Each share of common stock entitles the holder to one vote on all matters submitted to a vote of Pieris AG's stockholders. Common stockholders are entitled to dividends when and if declared by the Board of Directors. In the event of any voluntary or involuntary liquidation, dissolution or winding-up of Pieris AG, the holders of common stock are entitled to share ratably in the assets of Pieris AG available for distribution after the holders of the preferred shares and their liquidation preferences have been satisfied. There are 59,993 shares of common stock issued and outstanding with a share capital of \$53,889.

### Preferred Stock

Pieris AG is authorized to issue 919,708 shares of preferred stock, of which 324,313 have been designated as Series A equaling \$378,503 share capital, 132,432 shares with a share capital of \$173,896 have been designated as Series A-1 and the remaining 462,963 shares with a share capital of \$662,515 have been designated as Series B. Holders of shares of preferred stock are entitled to receive a preference payment in the event of any liquidation, dissolution, winding-up or exit event (*i.e.*, any merger or consolidation into or any other corporation or sale of more than 70% of Pieris AG's assets or 50% of Pieris AG's shares) of Pieris AG before any payment is made to the holders of shares of Pieris AG's common stock. Specifically, holders of Series B preferred shares are entitled to receive the original issue price of such shares plus 8% of annual cumulative interest upon an exit event. After this payment, holders of a portion of the Series A-1 preferred shares are entitled to receive twice of their total investment. The remaining proceeds from an exit event are distributed to the remaining holders of Series A-1 preferred shares and the holders of Series A preferred shares in the amount of one times the respective original issue price. The remaining amount is distributed among all stockholders in proportion to their total stockholdings in Pieris AG.

There are no preferred dividends attached to any of the preferred shares. Preferred stock participates equally to common stock.

There is a conversion right which is stated within the Shareholder Agreement to convert all preferred shares into common shares, which is contingent upon the adoption of a resolution of a meeting of stockholders.

Each share of Pieris AG's common and preferred stock is entitled to one vote and all shares rank equally as to voting and other matters.

Effective with the consummation of the Acquisition, all existing common and preferred stock and any and all rights associated with the common and preferred stock have been exchanged for common stock of Pieris Pharmaceuticals, Inc. (see Note 1 Corporate Information).

### Receivable from Issuance of Shares

The founders of Pieris AG participated in the Seed round capital increase of common shares at par value. For certain stockholders, the payment of the share premium into Additional paid-in capital (fully or partially) was deferred until the occurrence of an exit event and is recorded as Receivables from Sale of Shares in Pieris AG's Statements of Changes in Stockholders' Equity.

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The following amounts were deferred for the respective parties:

	December 31,	
	2013	2012
Steffen Schlehuber	\$ 2,356	\$ 2,356
Claus Schalper	1,755	1,755
Dr. Karsten Schürle	1,203	1,203
MAPO Beteiligungsgesellschaft mbH	116,487	116,487
<b>Total</b>	<b>\$121,801</b>	<b>\$121,801</b>

In connection with the consummation of the Acquisition all deferred payment claims against the aforementioned stockholders were waived (see Note 11, Subsequent Events "Acquisition").

Claus Schalper is the CFO of Pieris AG.

Furthermore, in 2008, Pieris AG acquired treasury shares under a stockholders' agreement at the par value of €1.00 per treasury share. The payment of the share premium was deferred until an exit event (*i.e.*, any liquidation, dissolution or winding up of Pieris AG, including any merger or consolidation into or any other corporation or sale of more than 70% of Pieris AG's assets or 50% of Pieris AG's shares) occurred. The amount of the deferred payment to the capital reserve of Pieris AG was \$48,690. However, in accordance with the Consolidated Stockholders Agreement 2012 dated November 12, 2012, the claim for such payments has been waived.

Prof. Dr. Skerra is the deputy chairman of the supervisory board of Pieris AG.

## 8. Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2013	2012
Accrued expenses		
Accrued expenses bonus payments	\$137,660	\$279,708
Accrued expenses severance payments	319,031	—
Payroll related accruals	90,549	110,822
Other accrued expenses	12,389	20,959
Total amount of accrued expenses	559,629	411,489
Accrued expenses, non-current		
Reserve for litigation TUM	373,059	358,121
Accrued expenses Restoration	6,883	6,607
Total amount of accrued expenses non-current	379,942	364,728
<b>Total amount of accrued expenses</b>	<b>\$939,571</b>	<b>\$776,218</b>

## 9. Related-Party Transactions

### Research and License Agreement with Technische Universität München (“TUM”)

On July 4, 2003, Pieris AG entered into a research and licensing agreement with TUM, which was subsequently renewed and, on July 26, 2007, superseded and replaced. The agreement established a joint research effort led by Prof. Arne Skerra, Chair of Biological Chemistry of TUM, to optimize Anticalin technologies for use in therapeutic, prophylactic and diagnostic applications and as research reagents, and to gain fundamental insights in lipocalin scaffolds. Prof. Dr. Skerra was a member of Pieris AG’s supervisory board when the parties entered into such agreement and during the period covered by the financial statements in this report. Pieris AG provided certain funding for TUM research efforts performed under the agreement.

As a result of research efforts to date under the agreement, Pieris AG holds a worldwide exclusive license under its license agreement with TUM to multiple patents and patent applications, including an exclusive license to an issued U.S. patent, which patent will expire in 2027 (subject to a possible term adjustment period). Pieris AG also holds an exclusive license to an issued U.S. patent No. 8,420,051, which patent is expected to expire in 2029. Pieris AG bears the costs of filing, prosecution and maintenance of patents assigned or licensed to Pieris AG under the agreement.

As consideration for the assigned patents and licenses above, Pieris AG is required to pay certain development milestones to TUM. Pieris AG also is obliged to pay low-single-digit royalties, including annual minimum royalties, on sales of such products incorporating patented technologies. If Pieris AG grants licenses or sublicenses to those patents to third parties, Pieris AG will be obliged to pay a percentage of the resulting revenue to TUM. Pieris AG’s payment obligations are reduced by Pieris AG’s proportionate contribution to a joint invention. Payment obligations terminate on expiration or annulment of the last patent covered by the agreement. Pieris AG can terminate the licenses to any or all licensed patents upon specified advance notice to TUM. TUM may terminate the license provisions of the agreement only for cause. Termination of the agreement does not terminate the rights in patents assigned to Pieris.

Pieris AG has incurred the following expenses related to TUM (excluding value added taxes):

	Years ended December 31,	
	2013	2012
Transfer of licenses and protective rights	\$ 66,390	\$ 19,290
Research	22,573	131,172
<b>Total expenses incurred with TUM</b>	<b>\$ 88,963</b>	<b>\$ 150,462</b>

Pieris AG has recorded \$373,059 and \$358,121 as of December 31, 2013 and 2012, respectively, related to the amounts due under the research and license agreement (see Note 10 *Commitments and Contingencies*).

The part of the agreement requiring Pieris AG to make payments for research conducted by TUM expired in February 2013 with no further obligations by Pieris AG.

### **EUROCALIN/FP7 Government Grant**

TUM is a member of the EUROCALIN consortium and thus, is entitled to receive payments under the grant agreement for research activities. Research activities are carried out by Prof. Dr. Skerra. Prof. Dr. Skerra was a member of Pieris AG's supervisory board when the parties entered into such agreement and during the period covered by the financial statements in this report. The government grant agreement with FP7 is further discussed in Note 3 *Revenue*.

### **Consulting Contract between Prof. Dr. Arne Skerra and Pieris AG**

In 2001, Pieris AG entered into a Consulting Agreement with Prof. Dr. Skerra, pursuant to which Prof. Dr. Skerra provides advice regarding the use of new proteins, in particular Anticalin proteins and antibodies, for the purpose of research and development. The Consulting Agreement has an unlimited term but can be terminated by Pieris AG upon three months' notice with effect from the end of a month and by Prof. Dr. Skerra upon one year's notice with effect from the end of a year. Under the Consulting Agreement, Pieris AG incurred and paid to Prof. Dr. Skerra consulting fees of \$26,556 and \$25,720 for the years ended December 31, 2013 and 2012, respectively.

### **Convertible Stockholder Loan**

Four significant stockholders of Pieris AG—Orbimed Private Investments III, Gilde Europe Food & Agribusiness Fund B.V., The Global Life Science Ventures Fund and Coöperative AAC LS U.A. (Forbion B.V.)—participated as Investors in the 2012 Convertible Bridge Loan as related parties. The convertible bridge loan agreement is further discussed in Note 6 *Debt*.

### **Receivables from Issuance of Shares**

In connection with the issuance of nominal stock, payments of the share premium into additional paid in capital were deferred. Amounts were deferred for Claus Schalper and Prof. Dr. Skerra among others. Mr. Schalper is the CFO of Pieris AG, and Prof. Dr. Skerra is the deputy chairman of Pieris AG's supervisory board. Thus, both are related parties to Pieris AG. The issuance of nominal stock is further discussed in Note 7 *Share Capital*.

## **10. Commitments and Contingencies**

### **Licensing Commitments**

Pieris AG has license agreements with two parties under which Pieris AG is obliged to pay annual license fees. One agreement is between IBA GmbH and Pieris AG which requires annual license payments of \$41,298 and relates to licenses for Strep-tag technology that represent tool technologies and which are used for research purposes only. The agreement expires 2024.

Another license agreement exists between TUM and Pieris AG (see Note 9 *Related-Party Transactions*). Under this agreement, Pieris AG is obliged to pay an annual license fee of \$68,830 to TUM.

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The table below shows the annual license fee commitments under the two agreements as of December 31, 2013:

	License payments
2014	\$ 110,128
2015	110,128
2016	110,128
2017	110,128
2018	110,128
Thereafter	867,258
<b>Total minimum license payments</b>	<b><u><u>\$1,417,898</u></u></b>

### **Leases**

Pieris AG leases office and laboratory space in Freising, Germany. The lease has defined termination date and can be cancelled with a notification period of eight months at the end of each quarter. Rent expenses are calculated on a straight-line basis over the term of the lease.

Pieris AG's contractual commitments of the non-cancellable portion under this operating lease as of December 31, 2013 are as follows:

	Total
2014	\$200,433

Rent expense under Pieris AG's operating lease was \$289,991 and \$280,862 for the years ended December 31, 2013 and 2012, respectively.

### **Arbitration**

Under the Research and Licensing Agreement between Pieris AG and TUM as of July 26, 2007, Pieris AG is required to make payments to TUM based on Pieris AG's revenues generated from entering into sub-licensing agreements with any third party with respect to University Inventions and/or Joint Inventions (each as defined in the Research and Licensing Agreement). These revenues include upfront license payments as well as milestone payments received by Pieris AG from third parties. Pieris AG has signed six of sub-licensing agreements between 2004 and 2012 (the period under dispute), under which it has recorded revenues. Pieris AG acknowledges an obligation to TUM; however, the parties disagree regarding the amount due. On March 20, 2014, the Company initiated arbitration proceedings in order to resolve the dispute. Although it is not possible to predict the outcome of such arbitration, Pieris AG has assessed the degree of probability and the reasonably possible losses that it could incur as a result of these matters. Pieris AG believes that its accrual for possible liability under the agreement as of December 31, 2013 (in an amount of \$373,059) appropriately reflects its estimated future payment obligations. The amount currently in dispute is \$3,025,237.



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After Pieris AG instituted the arbitration proceeding, TUM submitted its position to the Deutsche Institution für Schiedsgerichtsbarkeit that it does not have capacity to be sued under the action for a declaratory arbitration decision brought by Pieris AG in relation to the TUM License Agreement, and that instead, it is the Free State of Bavaria that is the proper respondent to said action. In turn, Pieris AG responded that (a) TUM's argument is not sustainable because based on applicable principles under the German civil law rules on agency and representation and relativity of (contractual) obligations (which is akin to the common law doctrine of privity of contract), in entering into the TUM License Agreement in the name of itself as a legal entity engaging in private legal transactions, TUM was conducting affairs relating to it as a body in its own right and was not engaging in a governmental matter nor acting as an agent of the government, and (b) TUM thus has capacity to be sued in relation to any disputes arising from and regarding contractual provisions of the TUM License Agreement and is thus also the proper respondent in the action.

As of the date of this report, each party to the arbitration proceeding has appointed one arbitrator and the party-named arbitrators collectively selected the third arbitrator as the chairman of the arbitration panel. The panel has indicated that it will first decide the issue of whether TUM is the proper respondent in this action and has set a date for a first hearing in Munich, Germany on January 20, 2015.

On December 1, 2014, TUM filed its statement of defense, maintaining its earlier calculation of the Out-License Fee. Pieris AG has until January 12, 2015 to file a reply brief in response to TUM's defense.

## **11. Subsequent Events**

### **Acquisition**

On December 17, 2014, Pieris AG and Pieris Pharmaceuticals, Inc. (formerly known as Marika Inc., a non-operating public shell company in the United States, renamed Pieris Pharmaceuticals, Inc.) entered into an Acquisition Agreement. Pursuant to the Acquisition Agreement, the stockholders of Pieris AG contributed all of their equity interests in Pieris AG to Pieris Pharmaceuticals, Inc. for shares of Pieris Pharmaceuticals, Inc.'s common stock, which resulted in Pieris AG becoming a wholly owned subsidiary of Pieris Pharmaceuticals, Inc. (the "Acquisition"). The Acquisition closed on December 17, 2014.

On December 5, 2014, Pieris Pharmaceuticals, Inc. completed a 2.272727-for-1 forward split of its common stock in the form of a share dividend, with the result that 6,100,000 shares of common stock outstanding immediately prior to the stock split became 13,863,635 shares of common stock outstanding immediately thereafter. Effective as of December 16, 2014, Marika Inc. amended and restated its Certificate of Incorporation to, among other things, change its name from Marika Inc. to "Pieris Pharmaceuticals, Inc." and increase its authorized capital stock from 75,000,000 shares of common stock, par value \$0.001 per share, to 300,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of "blank check" preferred stock, par value \$0.001 per share. On December 17, 2014, Pieris Pharmaceuticals, Inc. transferred its pre-Acquisition assets and liabilities to its former majority stockholder, Aleksandrs Sviks, in exchange for the surrender by him and cancellation of 11,363,635 shares of Pieris Pharmaceuticals, Inc. common stock. At the closing of the Acquisition, Pieris Pharmaceuticals, Inc. issued an aggregate of 20,000,000 shares of its common stock to the former stockholders of Pieris AG in exchange for all of the outstanding shares (common and preferred) of Pieris AG's capital stock. Pieris AG has become a wholly owned subsidiary of Pieris Pharmaceuticals, Inc., and the former stockholders of Pieris AG collectively own approximately 89% of the outstanding shares of Pieris Pharmaceuticals, Inc. common stock.

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Immediately following the closing of the Acquisition, Pieris Pharmaceuticals, Inc.'s outstanding shares of common stock (on a fully diluted basis) are owned as follows:

- Former holders of Pieris AG's capital stock hold an aggregate of 20,000,000 shares of Pieris Pharmaceuticals, Inc.'s common stock, or approximately 78% on a fully diluted basis;
- Holders of Marika Inc.'s common stock prior to the closing of the Acquisition hold an aggregate of 2,500,000 shares of Pieris Pharmaceuticals, Inc.'s common stock, or approximately 10% on a fully diluted basis; and
- 3,200,000 shares of common stock are reserved for issuance under the 2014 Employee, Director and Consultant Equity Incentive Plan of Pieris Pharmaceuticals, Inc., or the Pieris Plan, representing approximately 12% on a fully diluted basis. As of the date hereof, options to purchase 1,430,000 shares of our common stock have been issued under the Pieris Plan to our executive officers and directors, and options to purchase 1,089,500 shares of our common stock have been issued under the Pieris Plan to other employees and consultants. As a result of such grants, 680,500 shares of our common stock are available for future issuance under the Pieris Plan.

In accordance with Financial Accounting Standards Board ("FASB"), Accounting Standards Codification ("ASC"), Section 805 entitled, "Business Combinations," Marika Inc. does not meet the definition of a business as it is a non-operating shell company. As a result, the Acquisition is accounted for as an asset purchase by Pieris AG instead of a business combination. Pieris AG is considered the accounting acquirer in the Acquisition. Consequently, the assets and liabilities and the historical operations that will be reflected in the Pieris Pharmaceuticals, Inc. financial statements subsequent to the Acquisition will be those of Pieris AG.

### **Unsecured Bank Loan**

On December 11, 2014, Pieris Operating and TBG entered into an accelerated repayment agreement in respect of the claims of TBG against Pieris AG. Pursuant to terms of the accelerated repayment agreement, conditioned upon closing of the Acquisition, Pieris AG will be obligated to pay €1,050,000 (\$1.45 million), the outstanding amount under the repayment agreement, in two tranches as follows: €600,000 (\$825,960) plus accrued interest on January 31, 2015 and €450,000 (\$619,470) on March 31, 2015. Upon full payment of the accelerated repayment amount of €1,050,000 (\$1.4 million), all claims of Pieris AG and TBG against each other from or in connection with the silent partnership agreement dated May 13, 2003 and the repayment agreement entered into on April 3, 2014, will be considered settled and repaid in full.

### **Amendment to Convertible Bridge Loan Agreement dated November 12, 2012**

As of March 2014, Pieris AG and its stockholders amended an existing convertible loan agreement dated November 12, 2012 (the "2012 Bridge Loan"). The parties agreed to postpone the ultimate maturity date with respect to the remaining balance of the 2012 Bridge Loan from December 31, 2013 to December 31, 2015. The stockholder party to the 2012 Bridge Loan participated in the 2014 Series C Financing in the fourth quarter of 2014 and waived their claims for repayment of the 2012 Bridge Loan as consideration (see Note 11, Subsequent Events "2014 Series C Financing").

### **Convertible Bridge Loan Agreement 2014**

On April 14, 2014, Pieris AG entered into a second bridge loan agreement (the “2014 Bridge Loan”) with certain of its stockholders pursuant to which Pieris AG received a commitment for financing in the aggregate amount of €2,000,000 (\$2,753,200), which loan amount, if drawn down by Pieris AG, would be convertible into preferred shares of Pieris AG after the maturity date or upon occurrence of certain events. The 2014 Bridge Loan included two tranches of available financing: (i) Tranche A of €1,500,000 (\$2,064,900) and (ii) Tranche B of €500,000 (\$688,300). In June 2014, Pieris AG called 67% of Tranche A, or €1,000,000 (\$1,376,600). Loan amounts outstanding under the 2014 Bridge Loan accrued interest at a rate of 12% per year and have a maturity date of December 31, 2015, after which the loan amounts would accrue interest at a rate of 18% per year. The stockholders participating in the 2014 Bridge Loan invested the €1,000,000 (\$1,376,600) remaining commitment in cash directly in the 2014 Series C Financing as described below.

### **2014 Series C Financing**

During the fourth quarter of 2014 Pieris AG completed a financing round and issued Series C preferred shares (the “2014 Series C Financing”). The 2014 Series C Financing included issuing shares for aggregate cash proceeds of \$6,271,783. Additionally, principal and interest amounts outstanding related to the 2012 Bridge Loan and 2014 Bridge Loan (\$4,415,170) were converted for Series C preferred shares.

The Series C stockholders were entitled to receive a preference payment in the event of any liquidation, dissolution, winding-up or exit event (*i.e.*, any merger or consolidation into or any other corporation or sale of more than 50% of Pieris AG’s assets or 50% of Pieris AG’s shares) of Pieris AG, or in the event of a dividend or other distribution by the Company to its stockholders before any payment is made to the holders of Pieris AG’s other preferred or common shares. The Series C preferred stockholders were entitled to receive 2.5 times the original issuance price plus cumulative annual interest of 8% before other preferred or common stockholders received consideration in such events.

The participating 2014 Series C preferred shares had the same voting rights as all other share classes. There was a conversion right stated within the Consolidated Shareholders’ Agreement 2014 to convert all Series C preferred shares into common shares, contingent upon the adoption of a resolution at a meeting of stockholders.

All outstanding Series C preferred shares were exchanged for common stock of Pieris Pharmaceuticals, Inc. in the Acquisition.

### **Tax field audit**

On July 11, 2014 a tax field audit for the years 2010 to 2012 in accordance with §193 paragraph 1 AO under German law was announced by the tax office Freising. The tax field audit took place in July 2014, subsequent to the balance sheet date. Preliminary results indicate a reduction of Pieris AG’s net operating loss carryforwards on German corporate income tax by \$705,103 for each of the years ended December 31, 2012 and 2013.

PIERIS AG

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**PIERIS AG**  
**CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2014</b>	<b>December 31, 2013</b>
	<i>(unaudited)</i>	
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 936,183	\$ 3,689,382
Restricted cash	54,418	72,497
Trade accounts receivable	—	481,810
Other current assets	512,202	449,733
Prepaid expenses	67,391	60,477
Income tax receivable	15,274	66,479
Total current assets	<u>1,585,468</u>	<u>4,820,378</u>
Property and equipment, net	1,989,709	2,437,677
Deferred tax asset	57,887	18,877
<b>Total assets</b>	<u><u>\$ 3,633,064</u></u>	<u><u>\$ 7,276,932</u></u>

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

## PIERIS AG

## CONSOLIDATED BALANCE SHEETS

	September 30, 2014 <i>(unaudited)</i>	December 31, 2013
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Trade accounts payable	\$ 251,930	\$ 278,008
Accrued expenses	178,852	559,629
Other current liabilities	509,089	160,484
Bank loan, including accrued interest, current portion	631,400	206,490
Deferred revenue	52,218	544,562
Deferred tax liabilities	57,887	18,877
Total current liabilities	1,681,376	1,768,051
Accrued expenses, non-current	348,533	379,942
Convertible stockholder loans, including accrued interest	4,415,170	3,098,502
Bank loan, including accrued interest, net of current portion	694,540	1,445,430
Preferred share subscription	1,262,800	—
Total liabilities	8,402,419	6,691,925
Commitments and contingencies		
Stockholders' equity		
Common stock, €1 par value, 59,993 shares authorized and 59,993 shares issued and outstanding at September 30, 2014 and December 31, 2012	53,889	53,889
Preferred stock, €1 par value, 919,708 shares authorized and 919,708 shares issued and outstanding at September 30, 2014 and December 31, 2013	1,214,914	1,214,914
Additional paid-in capital	56,351,363	56,351,363
Receivable from issuance of shares	(121,801)	(121,801)
Accumulated other comprehensive loss	(626,944)	(956,274)
Accumulated deficit	(61,640,776)	(55,957,084)
Total stockholders' equity	(4,769,355)	585,007
<b>Total liabilities and stockholders' equity</b>	<b>\$ 3,633,064</b>	<b>\$ 7,276,932</b>

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

## PIERIS AG

## CONSOLIDATED STATEMENTS OF OPERATIONS

	Nine months ended September 30,	
	2014 <i>(unaudited)</i>	2013 <i>(unaudited)</i>
Revenues	\$ 2,089,831	\$ 9,001,738
Operating costs and expenses		
Research and development	(3,268,262)	(7,562,760)
General and administrative	(4,103,805)	(1,901,000)
	<u>(7,372,067)</u>	<u>(9,463,760)</u>
Loss from operations	(5,282,236)	(462,022)
Other income (expense)		
Interest expense	(404,288)	(384,145)
Other income, net	2,812	5,445
	<u>(401,476)</u>	<u>(378,700)</u>
Loss before income taxes	(5,683,711)	(840,722)
Income tax benefit	18	—
Net loss	<u><u>\$(5,683,693)</u></u>	<u><u>\$ (840,722)</u></u>
Net loss per share		
Basic and diluted	\$ (5.80)	\$ (0.86)
Weighted average number of common shares outstanding Basic and diluted	59,993	59,993

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

**PIERIS AG****CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS**

	<b>Nine months ended</b>	
	<b>September 30,</b>	
	<b>2014</b>	<b>2013</b>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net loss	\$(5,683,693)	\$(840,722)
Other comprehensive loss		
Foreign currency translation adjustments	329,330	26,080
Other comprehensive income, before tax	329,330	26,080
Comprehensive loss attributable to the owners of Pieris AG	<u><u>\$(5,354,363)</u></u>	<u><u>\$(814,642)</u></u>

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



## PIERIS AG

## CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine months ended	
	September 30,	2013
	2014	2013
	(unaudited)	(unaudited)
Cash flows from operating activities:		
Net loss	\$(5,683,693)	\$ (840,722)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	278,852	287,201
Non-cash interest expense	365,251	363,970
Changes in operating assets and liabilities:		
Restricted cash	12,973	(256,127)
Trade accounts receivable	474,418	(466,456)
Prepaid expenses	(13,215)	(18,789)
Other assets	(114,931)	751,303
Trade accounts payable	(3,324)	(452,672)
Accrued and other liabilities	(450,672)	(1,485,406)
Income taxes	49,064	(14,440)
Net cash used in operations	(5,085,277)	(2,132,138)
Cash flows from investing activities:		
Purchase of property and equipment	(14,311)	(49,071)
Proceeds from sale of property and equipment	—	1
Net cash used in investing activities	(14,311)	(49,070)
Cash flows from financing activities:		
Proceeds from convertible stockholder loan	1,309,093	285,049
Repayment of debt	(189,420)	—
Proceeds from preferred share subscription	1,355,480	—
Net cash provided by financing activities	2,475,153	285,049
Effect of exchange rate change on cash and cash equivalents	(128,764)	86,009
Net decrease in cash and cash equivalents	(2,753,199)	(1,810,150)
Cash and cash equivalents at beginning of period	3,689,382	6,327,078
Cash and cash equivalents at end of period	\$ 936,183	\$ 4,516,928
Supplemental cash flow disclosures:		
Cash paid for interest	\$ 40,664	\$ 19,756
Cash paid (received from) for income taxes	\$ (51,187)	\$ 10,801

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

**PIERIS AG**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)**

**1. Corporate Information**

Pieris AG (the “Company”) is an independent, clinical-stage biopharmaceutical company focused on the discovery and development of biotherapeutics incorporating its proprietary Anticalin® technology. The registered office of Pieris AG is in Freising-Weihenstephan, Germany.

Pieris AG was founded in 2001 by Prof. Dr. Arne Skerra, Professor at the Technical University of Munich, Germany, and Claus Schalper. Through its Seed (2001), Series A (2002) and A1 (2006) financing rounds, Pieris AG received funding of \$19,242,951 from international life science investors Global Life Science Ventures (lead), Gilde Healthcare Partners (co-lead), Forbion Capital Partners, BayTech Venture Capital, Bio-M, TCB, KfW and BayernKapital. In this context, Pieris AG issued common as well as preferred shares. Common shares were issued in connection with the Seed financing round and preferred shares were issued in through the Series A and Series A1 financing rounds. In March 2008, Pieris AG closed its Series B financing round, raising \$37,216,207 through the issuance of preferred shares.

Pieris Australia Pty Ltd., a wholly owned subsidiary of Pieris AG, was formed on February 14, 2014 to conduct research and development in Australia.

## **2. Basis of Presentation and Accounting Policies**

### **Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) for interim financial information and with the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”) regarding interim financial reporting. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete consolidated financial statements. In the opinion of management, all adjustments, including normal recurring adjustments, considered necessary for a fair presentation of Pieris AG’s unaudited condensed consolidated financial statements have been included. The results of operations for the nine months ended September 30, 2014 are not necessarily indicative of the results that may be expected for the year ending December 31, 2014 or any future period. These unaudited condensed consolidated financial statements and notes thereto should be read in conjunction with the “Risk Factors,” “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and the audited financial statements and notes thereto for the year ended December 31, 2013.

### **Use of estimates**

The preparation of the financial statements in accordance with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses in the financial statements and disclosures in the accompanying notes. Actual results and outcomes could differ materially from management’s estimates, judgments and assumptions.

### **Segment Reporting**

Pieris AG operates as one operating segment in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 280, Segment Reporting. Pieris AG’s chief operating decision maker (CODM) makes decisions based on the Company as a whole. Accordingly, Pieris AG operates and makes decisions as one reporting unit.

### **Significant Accounting Policies**

The interim condensed consolidated financial statements were prepared based on the same accounting policies as those applied and described in the financial statements as of December 31, 2013 except for the adoption of new standards and interpretations as of January 1, 2014.

### **Milestone Payments and Royalties**

At the inception of each agreement that includes milestone payments, Pieris AG evaluates whether each milestone is substantive and at risk to both parties on the basis of the contingent nature of the milestone. This evaluation includes an assessment of whether (a) the consideration is commensurate with either (1) the entity’s performance to achieve the milestone, or (2) the enhancement of the value of the delivered item(s) as a result of a specific outcome resulting from the entity’s performance to achieve the milestone, (b) the consideration relates solely to past performance and (c) the consideration is reasonable relative to all of the deliverables and payment terms within the arrangement. Pieris AG evaluates factors such as the scientific, regulatory, commercial and other risks that must be overcome to achieve the respective milestone, the level of effort and investment required to achieve the respective milestone and whether the milestone consideration is reasonable relative to all deliverables and payment terms in the arrangement in making this assessment.

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Pieris AG aggregates milestones into three categories (i) research milestones, (ii) development milestones and (iii) commercial milestones. Research milestones are typically achieved upon reaching certain success criteria as defined in each agreement related to developing an Anticalin protein against the specified target. Development milestones are typically reached when a compound reaches a defined phase of clinical research or passes such phase, or upon gaining regulatory approvals. Commercial milestones are typically achieved when an approved pharmaceutical product reaches the status for commercial sale or certain defined levels of net sales by the licensee, such as when a product first achieves global sales or annual sales of a specified amount.

For revenues from research and development milestone payments, if the milestones are deemed substantive and the milestone payments are nonrefundable, such amounts are recognized entirely upon successful accomplishment of the milestones. Milestones that are not considered substantive are accounted for as license payments and recognized on a straight-line basis over the period of performance. To date, Pieris AG has determined all milestones are substantive. Revenues from commercial milestone payments are accounted for as royalties and are recorded as revenue upon achievement of the milestone, assuming all other revenue recognition criteria are met. Royalty payments are recognized in revenues based on the timing of royalty payments earned in accordance with the agreements; which typically is the period when the relevant sales occur, assuming all other revenue recognition criteria are met.

### **Adoption of New Accounting Standards**

In February 2013, the FASB issued ASU No. 2013-02, "*Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income*" (ASU 2013-02). Under ASU 2013-02, an entity is required to provide information about the amounts reclassified out of Accumulated Other Comprehensive Income (AOCI) by component. In addition, an entity is required to present, either on the face of the financial statements or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required to be reclassified in its entirety in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures that provide additional details about those amounts. ASU 2013-02 does not change the current requirements for reporting net income or other comprehensive income in the financial statements. ASU 2013-02 became effective for non emerging growth companies for reporting periods beginning after December 15, 2012. For Pieris AG as an emerging growth company ASU 2013-02 became effective on January 1, 2014. There were no significant reclassifications out of AOCI to net income for the nine months ended September 30, 2014.

### 3. Revenues

#### General

Pieris AG has not generated revenues from product sales. Pieris AG has generated revenues pursuant to (i) license and collaboration agreements, which include upfront payments for licenses or options to obtain licenses, payments for research and development services and milestone payments, and (ii) government grants.

#### Collaborations and Other Agreements

##### Allergan, Inc.

In August 2009, pursuant to an agreement with Allergan, Inc. (“Allergan”), Pieris AG granted Allergan a worldwide exclusive license to develop and commercialize certain drug candidates for the treatment and prevention of ocular diseases. Allergan is responsible for the research, development, manufacturing and commercialization of any products resulting from the license. Pieris AG received a non-refundable upfront payment of \$10 million upon execution of the contract in 2009 and is entitled to receive up to an aggregate of \$13 million in milestone payments upon the achievement of certain commercial milestones or patents granted to Pieris by the United States Patent and Trademark Office that cover a product licensed to Allergan.

At the inception of the agreement, Pieris AG recognized revenues from the upfront license payment because, based on the stage of development of the licensed product delivered and the development capabilities of Allergan, Pieris AG determined that the license had standalone value. Through September 30, 2014, none of the milestones had been achieved and, as such, Pieris AG has not recognized milestone-related revenues.

##### Daiichi Sankyo Co., Ltd.

In May 2011, Pieris AG entered into an agreement with Daiichi Sankyo Co., Ltd. (“Daiichi Sankyo”), under which Pieris AG will use its proprietary Anticalin® scaffold technology to identify drug candidates against certain targets selected by Daiichi Sankyo, with further development and commercialization performed by Daiichi Sankyo. For any targets selected by Daiichi Sankyo, Pieris AG granted an exclusive, worldwide license for the research, development and commercialization of drug candidates identified by Pieris AG. Pieris AG has handed over further development responsibility for the two collaboration projects to Daiichi Sankyo, which handovers occurred in March 2013 and June 2014.

Upon execution of the agreement, Daiichi Sankyo paid Pieris AG a non-refundable upfront payment in the amount of \$10.1 million in consideration for the licenses, and for each licensed product, Pieris AG is entitled to receive potential milestone payments of \$102.1 million, plus royalties on the commercial sales of any commercial products. The total milestones are categorized as follows: research milestones - \$3.0 million; development milestones - \$42.3 million; commercial milestones - \$56.8 million; additional diagnostic milestones of \$0.9 million. At the inception of the agreement, these milestones were determined to be substantive as there was substantial uncertainty the milestones would be achieved, they would require substantial performance from the entity, and the consideration was reasonable relative to other deliverables. The agreement includes provisions for Pieris AG to provide research services funded by Daiichi Sankyo at agreed upon full-time employee rates during the initial identification and research period.

In accordance with the guidance in ASC 605-25, Pieris AG identified the licenses and research funding as deliverables at the inception of the arrangement. Pieris AG has determined that the licenses and research services provided by Pieris AG represent one unit of accounting because, based on the stage

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of development of the licensed product, the research services provided by Pieris AG to identify drug candidates using Pieris AG's proprietary Anticalin® technology against Daiichi Sankyo's selected targets were necessary before the licenses would have any standalone value. Therefore, the total arrangement consideration was recognized over the estimated period of substantial involvement, which was determined to be the period during Pieris AG was required to provide research services to discover drug candidates against targets identified. Pieris AG estimated this period would be approximately two years. Pieris AG reassesses the estimated term at the end of each reporting period.

Pieris AG recognized milestone payments of \$0.4 million and \$0.7 million as revenue for the nine months ended September 30, 2014 and 2013, respectively. The milestone payments in 2013 resulted from the achievement of a success milestone, the initiation of Phase B. The milestone payment in 2014 is based on successful in vitro and in vivo studies. The milestones could not be achieved solely upon the passage of time. For revenue recognition purposes, management determined these milestones to be substantive in accordance with applicable accounting guidance related to milestone revenue. Substantive uncertainty existed at the inception of the arrangement as to whether the milestones would be achieved because of the numerous variables, such as the high rate of failure inherent in research and development activities and the uncertainty involved with obtaining regulatory approval. For the nine months ended September 30, 2014, Pieris AG recognized \$1.1 million in revenues related to the Daiichi Sankyo Collaboration, of which \$0.4 million related to the achievement of milestones. For the nine months ended September 30, 2013, Pieris AG recognized \$4.3 million in revenues, of which \$0.7 million related to the achievement of milestones.

### **Sanofi-Aventis and Sanofi-Pasteur**

In September 2010, Pieris AG entered into an agreement with Sanofi-Aventis and Sanofi Pasteur ("Sanofi"), under which Pieris AG agreed to apply its proprietary Anticalin® technology to identify drug candidates against certain targets selected by Sanofi, with further development and commercialization performed by Sanofi. The agreement included the initial identification of two targets by Sanofi, with options to select up to four additional targets. For any targets selected by Sanofi, Pieris AG granted an exclusive, worldwide license for the research, development and commercialization of drug candidates identified by Pieris AG. In addition to the two initial targets selected by Sanofi, Sanofi exercised one of the four options and received a license. The remaining three options expired unexercised.

Upon execution of the agreement, Sanofi paid Pieris AG an upfront payment of \$4.9 million in consideration for licenses on the first two targets and options to select an additional four licenses on other targets (with each option requiring an additional upfront payment upon exercise). Additionally, for each licensed product, Pieris AG is entitled to receive milestone payments up to \$58.3 million, plus royalties on the sales of any commercial products. The total milestones are categorized as follows: research milestones - \$2.1 million; development milestones - \$33.5 million; commercial milestones - \$22.7 million. At the inception of the agreement, these milestones were determined to be substantive because (i) there was substantial uncertainty the milestones would be achieved, (ii) they would require substantial performance from the entity, and (iii) the consideration was reasonable relative to other deliverables. The agreement included provisions for Pieris AG to provide research services funded by Sanofi at agreed upon full-time employee equivalent rates during the initial identification and research period.

In accordance with the guidance in ASC 605-25, Pieris AG identified the licenses, options to obtain additional licenses and research funding as deliverables at the inception of the arrangement. The options were considered to be substantive at the inception of the agreement. Factors considered in determining the options were substantive were whether (i) Sanofi could obtain the overall objective of the agreement without exercising any options, (ii) Sanofi was able to obtain value from the initial licenses obtained without exercising any options, (iii) the cost to exercise the options was significant relative to the total upfront payment of \$4.9 million for two licenses and four options, and (iv) exercising the option created additional financial commitments for Sanofi or imposed economic penalties on Sanofi.

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Pieris AG has determined that, for each program selected by Sanofi, the license and research services provided by Pieris AG represent one unit of accounting because, based on the stage of development of the licensed product, the research services provided by Pieris AG to identify drug candidates using Pieris AG's proprietary Anticalin technology against Sanofi's selected targets were necessary before the licenses would have any standalone value.

The estimated selling prices for the licenses in the agreement are Pieris AG's best estimate of selling price and were determined based on market conditions and entity-specific factors such as considerations of preclinical and clinical testing results and Pieris AG's pricing practices and pricing objectives. The estimated selling price of research services are Pieris AG's best estimate of selling price and are determined based on market conditions and entity-specific factors such as internal cost considerations and Pieris AG's pricing practices and pricing objectives.

At inception, the total arrangement consideration of \$8.1 million (which comprises the \$4.9 million upfront payment and the expected fees for the research services to be provided under the remainder of the arrangement) was allocated to the deliverables based on the relative selling price method as follows: \$3.5 million to the licenses, \$1.4 million to the four options to acquire additional licenses and \$3.2 million to the estimated research services to be provided. As the license and research services were determined to be one unit of accounting, the consideration allocated to each license is recognized over the period of substantial involvement, which was determined to be the period during Pieris AG was required to provide research services to discover drug candidates against targets identified, approximately two years. Pieris AG reassesses the estimated term at the end of each reporting period. At the end of 2012, Pieris AG determined that the required research term for one of the initial terms would extend to a period of 40 months, and management updated the estimated required service period to amortize the remaining deferred upfront payment over the new term. Two of the four options expired un-exercised in 2011, and as a result Pieris AG recognized \$0.7 million of revenue upon expiration. The option term for the remaining two options was extended to February 2013, and Sanofi exercised one option to obtain an additional license. For the exercised option, the allocated consideration of \$0.35 million for the option and the \$1.4 million payment of the exercise price of the option were deferred and amortized over the expected required service period of approximately two years. The program covered by the exercised option was terminated in December 2013, and accordingly, Pieris AG recognized the remaining deferred revenue upon termination. The remaining option expired in February 2013 and the allocated consideration of \$0.35 million was recognized into revenue at the time of expiration.

Pieris AG recognized a milestone payment of \$0.3 million as revenue for the nine months ended September 2014. The milestone payment is based on successful in vivo studies. The milestone could not be achieved solely upon the passage of time. For revenue recognition purposes, management determined this milestone to be substantive in accordance with applicable accounting guidance related to milestone revenue. Substantive uncertainty existed at the inception of the arrangement as to whether the milestone would be achieved because of the numerous variables, such as the high rate of failure inherent in research and development activities and the uncertainty involved with obtaining regulatory approval. Therefore, the payment was recognized in its entirety as revenue in the nine months ended September 30, 2014 when the research milestone was reached.

For the nine months ended September 30, 2014, the Company recognized \$0.7 million in revenues, of which \$0.3 million related to the achievement of milestones related to the Sanofi collaboration. For the nine months ended September 30, 2013, the Company recognized \$2.5 million in revenues, none of which related to the achievement of milestones.

#### **4. Fair Value Measurements**

ASC Topic 820 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Pieris AG applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement.

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

Pieris AG's cash equivalents consist of highly liquid money market funds and are measured at fair value on a recurring basis. These funds are classified as Level 1 in the fair value hierarchy because they are valued using quoted prices for the periods ended September 30, 2014 and December 31, 2013. The carrying amounts of \$198,493 and \$3,307,520 as of September 30, 2014 and December 31, 2013, respectively, equal the fair value of the cash equivalents.

The Company's other financial instruments include debt instruments (convertible stockholder loan and bank loan) and are classified as Level 2 within the fair value hierarchy. The fair value of these instruments was determined using the discounted cash flow method based on contractual cash flows and the current rate at which debt with similar terms could be issued. The fair values for these debt instruments approximated carrying values as of September 30, 2014 and December 31, 2013.



## 5. Related-Party Transactions

### Research and License Agreement with Technische Universität München (“TUM”)

On July 4, 2003, Pieris AG entered into a research and licensing agreement with TUM, which was subsequently renewed and, on July 26, 2007, superseded and replaced. The agreement established a joint research effort led by Prof. Arne Skerra, Chair of Biological Chemistry of TUM, to optimize Anticalin technologies for use in therapeutic, prophylactic and diagnostic applications and as research reagents, and to gain fundamental insights in lipocalin scaffolds. Prof. Dr. Skerra was a member of Pieris AG’s supervisory board when the parties entered into such agreement and during the period covered by the consolidated financial statements in this report. Pieris AG provided certain funding for TUM research efforts performed under the agreement.

As a result of research efforts to date under the agreement, Pieris AG holds a worldwide exclusive license under its license agreement with TUM to multiple patents and patent applications, including an exclusive license to an issued U.S. patent, which patent will expire in 2027 (subject to a possible term adjustment period). Pieris AG also holds an exclusive license to an issued U.S. patent No. 8,420,051, which patent is expected to expire in 2029. Pieris AG bears the costs of filing, prosecution and maintenance of patents assigned or licensed to Pieris AG under the agreement.

As consideration for the assigned patents and licenses above, Pieris AG is required to pay certain development milestones to TUM. Pieris AG also is obliged to pay low-single-digit royalties, including annual minimum royalties, on sales of such products incorporating patented technologies. If Pieris AG grants licenses or sublicenses to those patents to third parties, Pieris AG will be obliged to pay a percentage of the resulting revenue to TUM. Pieris AG’s payment obligations are reduced by Pieris AG’s proportionate contribution to a joint invention. Payment obligations terminate on expiration or annulment of the last patent covered by the agreement. Pieris AG can terminate the licenses to any or all licensed patents upon specified advance notice to TUM. TUM may terminate the license provisions of the agreement only for cause. Termination of the agreement does not terminate the rights in patents assigned to Pieris.

Pieris AG has incurred the following expenses related to TUM (excluding value added taxes):

	Nine months ended September 30,	
	2014	2013
Transfer of licenses and protective rights	\$ 50,839	\$ 49,405
Research	—	22,454
<b>Total expenses incurred with TUM</b>	<b>\$ 50,839</b>	<b>\$ 71,859</b>

Pieris AG has recorded \$342,219 and \$366,799 as of September 30, 2014 and 2013, respectively, related to the amounts due under the research and license agreement (see Note 7 *Commitments and Contingencies*).

The agreement requiring Pieris AG to make payments for research conducted by TUM expired in February 2013 with no further obligations by Pieris AG.

### **Consulting Contract between Prof. Dr. Arne Skerra and Pieris AG**

In 2001, Pieris AG entered into a Consulting Agreement with Prof. Dr. Arne Skerra, pursuant to which Prof. Dr. Arne Skerra provides advice regarding the use of new proteins, in particular Anticalin proteins and antibodies, for the purpose of research and development. The Consulting Agreement has an unlimited term but can be terminated by Pieris AG upon three months' notice with effect from the end of a month and by Prof. Dr. Arne Skerra upon one year's notice with effect from the end of a year. Under the Consulting Agreement, Pieris AG incurred and paid to Prof. Dr. Skerra consulting fees of \$26,995 and \$26,438 for the periods ended September 30, 2014 and 2013, respectively.

### **Convertible Stockholder Loans**

On November 12, 2012, Pieris AG and several of its stockholders (the "Investors") entered into an unsecured Convertible Stockholder Loan Agreement (the "2012 Bridge Loan"). The 2012 Bridge Loan includes a conversion feature to convert the loan amounts at the option of the Investor into Series B preferred shares of Pieris AG, contingent upon certain conversion conditions. The 2012 Bridge Loan specifies a maturity date of December 31, 2013 and an interest rate of 12% per year before the maturity date. The agreement further provides that in case the loan amounts have not been repaid at the maturity date, the outstanding amounts will be subject to an interest rate of 18% per year for periods after the maturity date. The 2012 Bridge Loan does not contain financial or non-financial covenants.

As of March 2014, Pieris AG and its stockholders amended the 2012 Bridge Loan. The parties agreed to postpone the ultimate maturity date with respect to the remaining balance of the 2012 Bridge Loan from December 31, 2013 to December 31, 2015. The stockholders party to the 2012 Bridge Loan participated in the 2014 Series C Financing in the fourth quarter of 2014 and waived their claims for repayment of the 2012 Bridge Loan as consideration (see Note 8, *Subsequent Events*).

Prior to the Series C Financing Pieris AG entered into a second bridge loan agreement in April 2014 (the "2014 Bridge Loan") with certain of its stockholders pursuant to which Pieris AG received a commitment for financing in the aggregate amount of €2,000,000 (\$2,525,600), which loan amount, if drawn down by Pieris AG, would be convertible into preferred shares of Pieris AG after the maturity date or upon occurrence of certain events. The 2014 Bridge Loan included two tranches of available financing: (i) Tranche A of €1,500,000 (\$1,894,200) and (ii) Tranche B of €500,000 (\$631,400). In June 2014, Pieris AG called 67% of Tranche A, or €1,000,000 (\$1,262,800). Loan amounts outstanding under the 2014 Bridge Loan accrued interest at a rate of 12% per year and had a maturity date of December 31, 2015, after which the loan amounts would accrue interest at a rate of 18% per year. The stockholders party to the 2014 Bridge Loan participated in the 2014 Series C Financing and waived their claims for repayment of amounts outstanding under the 2014 Bridge Loan as consideration. The stockholders participating in the 2014 Bridge Loan also invested the €1,000,000 (\$1,262,800) remaining commitment in cash directly in the 2014 Series C Financing.

Four significant stockholders of Pieris AG — Orbimed Private Investments III, Gilde Europe Food & Agribusiness Fund B.V., The Global Life Science Ventures Fund and Coöperative AAC LS U.A. (Forbion B.V.) — participated as Investors in the 2012 Convertible Bridge Loan, the 2014 Convertible Bridge Loan and the 2014 Series C Financing as related parties.

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Pieris AG recorded related-party interest expense concerning the Convertible Bridge Loans in the amounts set forth in the table below:

	Nine months ended September 30,	
	2014	2013
Orbimed Private Investments III, LP	\$ 63,955	\$ 58,351
The Global Life Science Ventures Fund	57,709	51,778
Gilde Europe Food & Agribusiness Fund B.V.	54,158	49,921
Coöperative AAC LS U.A. (Forbion B.V.)	28,288	25,994
<b>Sum of related party interest expense concerning the Convertible Bridge Loans</b>	<b>\$ 204,110</b>	<b>\$ 186,044</b>

### Receivables from Issuance of Shares

The founders of Pieris AG participated in the Seed round capital increase of common shares at par value. For certain stockholders, the payment of the share premium into Additional paid-in capital (fully or partially) was deferred until the occurrence of an exit event and is recorded as Receivable from issuance of shares in Pieris AG's Consolidated Balance Sheets. Amounts were deferred for Claus Schalper among others. Mr. Schalper is the CFO of Pieris AG and thus, a related party to Pieris AG. As of September 30, 2014 and December 31, 2013, the receivable from issuance of shares amounted to \$1,755 for Mr. Schalper.

In connection with the consummation of the Acquisition, Pieris AG waived all deferred payment claims against the aforementioned stockholders (see Note 1 *Corporate Information-Subsequent Transaction*).

### 6. Debt

#### TBG Loan

As of April 3, 2014, Pieris AG and tbg Technologie-Beteiligungs-Gesellschaft mbH ("TBG"), the subsidiary of KfW Bank, Frankfurt ("KfW"), signed a repayment agreement concerning Pieris AG's repayment of its liabilities to TBG outstanding at December 31, 2013 in a total amount of €1.2 million (\$1.65 million). The principal amount bears interest at a rate of 10.53%. Under the repayment agreement, Pieris AG has agreed to a payment schedule pursuant to which it will make semi-annual payments until 2016. In December 2014, the repayment schedule was further modified. (See Note 8, *Subsequent Events*).

## 7. Commitments and Contingencies

### Arbitration

Under the Research and Licensing Agreement between Pieris AG and TUM as of July 26, 2007, Pieris AG is required to make payments to TUM based on Pieris AG's revenues generated from entering into sub-licensing agreements with any third party with respect to University Inventions and/or Joint Inventions (each as defined in the Research and Licensing Agreement). These revenues include upfront license payments as well as milestone payments received by Pieris AG from third parties. Pieris AG has signed six sub-licensing agreements between 2004 and 2012 (the period under dispute), under which it has recorded revenues. Pieris AG acknowledges an obligation to TUM; however, the parties disagree regarding the amount due. In March 2014, the Company initiated arbitration proceedings in order to resolve the dispute. Although it is not possible to predict the outcome of such arbitration, Pieris AG has assessed the degree of probability and the reasonably possible losses that it could incur as a result of these matters. Pieris AG believes that its accrual for possible liability under the agreement as of September 30, 2014 (in an amount of \$342,219) appropriately reflects its estimated future payment obligations. The amount currently in dispute is \$2,775,148.

After Pieris AG instituted the arbitration proceeding, TUM submitted its position to the Deutsche Institution für Schiedsgerichtsbarkeit that it does not have capacity to be sued under the action for a declaratory arbitration decision brought by Pieris AG in relation to the TUM License Agreement, and that instead, it is the Free State of Bavaria that is the proper respondent to said action. In turn, Pieris AG responded that TUM's argument is not sustainable because based on applicable principles under the German civil law rules on agency and representation and relativity of (contractual) obligations (which is akin to the common law doctrine of privity of contract), in entering into the TUM License Agreement in the name of itself as a legal entity engaging in private legal transactions, TUM was conducting affairs relating to it as a body in its own right and was not engaging in a governmental matter nor acting as an agent of the government, TUM thus has capacity to be sued in relation to any disputes arising from and regarding contractual provisions of the TUM License Agreement and is thus also the proper respondent in the action.

As of the date of this report, each party to the arbitration proceeding has appointed one arbitrator and the party-named arbitrators collectively selected the third arbitrator as the chairman of the arbitration panel. The panel has indicated that it will first decide the issue of whether TUM is the proper respondent in this action and has set a date for a first hearing in Munich, Germany on January 20, 2015.

On December 1, 2014, TUM filed its statement of defense, maintaining its earlier calculation of the Out-License Fee. Pieris AG has until January 12, 2015 to file a reply brief in response to TUM's defense.

### Tax Field Audit

On July 11, 2014 a tax field audit for the years 2010 to 2012 in accordance with §193 paragraph 1 AO under German law was announced by the tax office Freising. The tax field audit took place in July 2014. Preliminary results indicate a reduction of Pieris AG's net operating loss carryforwards on German corporate income tax by \$646,814 for each of the years ended December 31, 2012 and 2013.

## 8. Subsequent Events

### Acquisition

On December 17, 2014, Pieris AG and Pieris Pharmaceuticals, Inc. (formerly known as Marika Inc., a non-operating public shell company in the United States, renamed Pieris Pharmaceuticals, Inc.) entered into an Acquisition Agreement. Pursuant to the Acquisition Agreement, the stockholders of Pieris AG contributed all of their equity interests in Pieris AG to Pieris Pharmaceuticals, Inc. for shares of Pieris Pharmaceuticals, Inc.'s common stock, which resulted in Pieris AG becoming a wholly owned subsidiary of Pieris Pharmaceuticals, Inc. (the "Acquisition"). The Acquisition closed on December 17, 2014.

On December 17, 2014, Pieris AG and Marika Inc. completed the Acquisition, and Pieris AG became a wholly owned subsidiary of Pieris Pharmaceuticals, Inc.

On December 5, 2014, Pieris Pharmaceuticals, Inc. completed a 2.272727-for-1 forward split of its common stock in the form of a dividend, with the result that 6,100,000 shares of common stock outstanding immediately prior to the stock split became 13,863,635 shares (after rounding for fractional shares) of common stock outstanding immediately thereafter.

Effective as of December 16, 2014 Marika Inc. amended and restated its Certificate of Incorporation to, among other things, change its name from Marika Inc. to "Pieris Pharmaceuticals, Inc." and increase its authorized capital stock from 75,000,000 shares of common stock, par value \$0.001 per share, to 300,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of "blank check" preferred stock, par value \$0.001 per share. On December 17, 2014 Pieris Pharmaceuticals, Inc. transferred its pre-Acquisition assets and liabilities to its former majority stockholder, Aleksandrs Sviks, in exchange for the surrender by him and cancellation of 11,363,635 shares of Pieris Pharmaceuticals, Inc. common stock. At the closing of the Acquisition, Pieris Pharmaceuticals, Inc. issued an aggregate of 20,000,000 shares of its common stock to the former stockholders of Pieris AG in exchange for all of the outstanding shares (common and preferred) of Pieris AG's capital stock. Pieris AG has become a wholly owned subsidiary of Pieris Pharmaceuticals, Inc., and the former stockholders of Pieris AG collectively own approximately 89% of the outstanding shares of Pieris Pharmaceuticals, Inc. common stock.

Immediately following the closing of the Acquisition, Pieris Pharmaceuticals, Inc.'s outstanding shares of common stock (on a fully diluted basis) are owned as follows:

- Former holders of Pieris AG's capital stock hold an aggregate of 20,000,000 shares of Pieris Pharmaceuticals, Inc.'s common stock, or approximately 78% on a fully diluted basis;
- Holders of Marika Inc.'s common stock prior to the closing of the Acquisition hold an aggregate of 2,500,000 shares of Pieris Pharmaceuticals, Inc.'s common stock, or approximately 10% on a fully diluted basis; and
- 3,200,000 shares of common stock are reserved for issuance under the 2014 Employee, Director and Consultant Equity Incentive Plan of Pieris Pharmaceuticals, Inc., or the Pieris Plan representing approximately 12% on a fully diluted basis. As of the date hereof, options to purchase 1,430,000 shares of our common stock have been issued under the Pieris Plan to our executive officers and directors, and options to purchase 1,089,500 shares of our common stock have been issued under the Pieris Plan to other employees and consultants. As a result of such grants, 680,500 shares of our common stock are available for future issuance under the Pieris Plan.

### **TBG Loan**

On December 11, 2014, Pieris Operating and TBG entered into an accelerated repayment agreement in respect of the claims of TBG against Pieris AG. Pursuant to terms of the accelerated repayment agreement, conditioned upon closing of the Acquisition, Pieris AG will be obligated to pay €1,050,000 (\$1.45 million), the outstanding amount under the repayment agreement, in two tranches as follows: €600,000 (\$825,960) plus accrued interest on January 31, 2015 and €450,000 (\$619,470) on March 31, 2015. Upon full payment of the accelerated repayment amount of €1,050,000 (\$1.4 million), all claims of Pieris AG and TBG against each other from or in connection with the silent partnership agreement dated May 13, 2003 and the repayment agreement entered into on April 3, 2014, will be considered settled and repaid in full.

### **2014 Series C Financing**

During the fourth quarter of 2014, Pieris AG completed a financing round and issued Series C preferred shares (the “2014 Series C Financing”). The 2014 Series C Financing included issuing shares for aggregate cash proceeds of \$6,271,783, of which \$1,262,800 was received prior to September 30, 2014 and is included as “Preferred share subscription” on the balance sheet as of September 30, 2014. Additionally, principal and interest amounts outstanding related to the 2012 Bridge Loan and 2014 Bridge Loan (\$4,415,170) were converted for additional Series C preferred shares.

The Series C stockholders were entitled to receive a preference payment in the event of any liquidation, dissolution, winding-up or exit event (*i.e.*, any merger or consolidation into or any other corporation or sale of more than 50% of Pieris AG’s assets or 50% of Pieris AG’s shares) of Pieris AG, or in the event of a dividend or other distribution by the Company to its stockholders before any payment was made to the holders of shares of Pieris AG’s other preferred or common shares. The Series C preferred stockholders were entitled to receive 2.5 times the original issuance price of the Series C preferred plus cumulative annual interest of 8% before other preferred or common shareholders received consideration in such events.

All outstanding Series C preferred shares were exchanged for common stock of Pieris Pharmaceuticals, Inc. in the Acquisition.

PIERIS Pharmaceuticals, Inc. and PIERIS AG

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UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

On December 17, 2014, Pieris AG and Pieris Pharmaceuticals, Inc. (formerly known as Marika Inc., a non-operating public shell company in the United States, renamed Pieris Pharmaceuticals, Inc.) entered into an Acquisition Agreement. Pursuant to the Acquisition Agreement, the stockholders of Pieris AG contributed all of their equity interests in Pieris AG to Pieris Pharmaceuticals, Inc. for shares of Pieris Pharmaceuticals, Inc.'s common stock, which resulted in Pieris AG becoming a wholly owned subsidiary of Pieris Pharmaceuticals, Inc. (the "Acquisition"). On December 5, 2014, Pieris Pharmaceuticals, Inc. completed a 2.272727-for-1 forward split of its common stock in the form of a dividend, with the result that 6,100,000 shares of common stock outstanding immediately prior to the stock split became 13,863,635 shares (after rounding for fractional shares) of common stock outstanding immediately thereafter.

Effective as of December 16, 2014, Marika Inc. amended and restated its Certificate of Incorporation to, among other things, change its name from Marika Inc. to "Pieris Pharmaceuticals, Inc." and increase its authorized capital stock from 75,000,000 shares of common stock, par value \$0.001 per share, to 300,000,000 shares of common stock, par value \$0.001 per share, and 10,000,000 shares of "blank check" preferred stock, par value \$0.001 per share.

Upon closing of the Acquisition, under the terms of the Split-Off Agreement dated December 17, 2014 among Pieris Pharmaceuticals, Inc., Marika Enterprises Inc. and Aleksandrs Sviks (the "Split-Off Agreement"), and a general release agreement dated December 17, 2014 (the "General Release Agreement"), Pieris Pharmaceuticals, Inc. transferred all of its pre-Acquisition operating assets and liabilities to its wholly owned special-purpose subsidiary, Marika Enterprises Inc., a Nevada corporation, or the Split-Off Subsidiary, formed on December 15, 2014. Thereafter, pursuant to the Split-Off Agreement, Pieris Pharmaceuticals, Inc. transferred all of the outstanding shares of capital stock of the Split-Off Subsidiary to Aleksandrs Sviks, the pre-Acquisition majority stockholder of Pieris Pharmaceuticals, Inc. and the former sole officer and director of Pieris Pharmaceuticals, Inc., in consideration of and in exchange for (i) the surrender and cancellation of an aggregate of 11,363,635 shares of Pieris Pharmaceuticals, Inc.'s common stock held by Mr. Sviks (which were cancelled and will resume the status of authorized but unissued shares of Pieris Pharmaceuticals, Inc.'s common stock) and (ii) certain representations, covenants and indemnities. Under the terms of the General Release Agreement, the Split-Off Subsidiary and Mr. Sviks agreed to a general release of all claims and liabilities of Pieris Pharmaceuticals, Inc. and Pieris AG, as well as certain other customary covenants.

At the closing of the Acquisition, Pieris Pharmaceuticals, Inc. issued an aggregate of 20,000,000 shares of its common stock to the former stockholders of Pieris AG in exchange for all of the outstanding shares (common and preferred) of Pieris AG's capital stock. Pieris AG has become a wholly owned subsidiary of Pieris Pharmaceuticals, Inc. and the former stockholders of Pieris AG collectively own approximately 89% of the outstanding shares of Pieris Pharmaceuticals, Inc.'s common stock.



Immediately following the closing of the Acquisition, Pieris Pharmaceuticals, Inc.'s outstanding shares of common stock (on a fully diluted basis) are owned as follows:

- Former holders of Pieris AG's capital stock hold an aggregate of 20,000,000 shares of Pieris Pharmaceuticals, Inc.'s common stock, or approximately 78% on a fully diluted basis;
- Holders of Marika Inc.'s common stock prior to the closing of the Acquisition hold an aggregate of 2,500,000 shares of Pieris Pharmaceuticals, Inc.'s common stock, or approximately 10% on a fully diluted basis; and
- 3,200,000 shares of common stock are reserved for issuance under the 2014 Employee, Director and Consultant Equity Incentive Plan of Pieris Pharmaceuticals, Inc., or the Pieris Plan, representing approximately 12% on a fully diluted basis. As of the date hereof, options to purchase 1,430,000 shares of our common stock have been issued under the Pieris Plan to our executive officers and directors, and options to purchase 1,089,500 shares of our common stock have been issued under the Pieris Plan to other employees and consultants. As a result of such grants, 680,500 shares of our common stock are available for future issuance under the Pieris Plan.

The Acquisition is being accounted for as a reverse-merger and recapitalization. Pieris AG is the acquirer for financial reporting purposes, and Pieris Pharmaceuticals, Inc. is the acquired company. Consequently, the assets, liabilities and operations that will be reflected in the historical financial statements prior to the Acquisition will be those of Pieris AG and will be recorded at the historical cost basis of Pieris AG, and the consolidated financial statements after completion of the Acquisition will include the assets, liabilities and results of operations of Pieris AG up to the day prior to the closing of the Acquisition and the assets, liabilities and results of operations of the combined company from and after the closing date of the Acquisition. The unaudited pro forma combined financial information is based on individual historical financial statements of Pieris AG and Pieris Pharmaceuticals, Inc. prepared under US GAAP and is adjusted to give effect to the Acquisition Agreement.

The historical financial statements have been adjusted in the pro forma combined financial statements to give effects to events that are (1) directly attributable to the Acquisition, (2) factually supportable, and (3) with respect to the statement of operations, expected to have a continuing impact on the combined entities. The unaudited pro forma combined statements of operations eliminate any non-recurring charges directly related to the Acquisition that the combined entities incur upon completion of the Acquisition.

The unaudited pro forma combined balance sheet combines Pieris AG's historical balance sheet as of September 30, 2014 with Pieris Pharmaceuticals, Inc.'s historical balance sheet as of September 30, 2014, giving effect to events that are directly attributable to the Acquisition, as if the Acquisition were consummated as of September 30, 2014.

The unaudited pro forma combined statements operations combine Pieris AG's historical statements of operations for the year ended December 31, 2013 and the nine months ended September 30, 2014 with Pieris Pharmaceuticals, Inc.'s historical statements of operations for the year ended December 31, 2013 as well as of the nine months ended September 30, 2014, giving effect to the events that are directly attributable to the Acquisition, as if the Acquisition were consummated at the beginning of fiscal year 2013, and that are expected to have a continuing impact on the combined company.

The unaudited pro forma combined financial information does not purport to represent what the combined company's results of operations or financial position would actually have been had the Acquisition occurred on the dates described above or to project the combined company's results of operations or financial position for any future date or period.

The unaudited pro forma combined financial information should be read together with (1) Pieris AG's audited balance sheets as of December 31, 2013 and 2012 and the related statements of operations, statements of comprehensive income (loss), statements of changes in stockholders' equity and statements of cash flows for the years ended December 31, 2013 and 2012 and the accompanying notes, and (2) Pieris AG's unaudited balance sheet as of September 30, 2014 and the related statements of operations, statements of comprehensive loss and statements of cash flows for the nine months ended September 30, 2014 and 2013 and the accompanying notes.

Pieris AG and Pieris Pharmaceuticals, Inc.  
 Unaudited pro forma combined balance sheet  
 As of September 30, 2014

	Pieris AG (unaudited)	Pieris Pharmaceuticals, Inc. (unaudited)	Pre-Acquisition Pro Forma Adjustments (unaudited)	Acquisition Pro Forma Adjustments (unaudited)	Combined Pro Forma (unaudited)
<b>ASSETS</b>					
Current Assets					
Cash and cash equivalents	\$ 936,183	\$ 220	\$ 6,271,783 A	\$ —	\$6,507,966
				(700,000) F	
				(220) D	
Restricted cash	54,418	—	—	—	54,418
Trade accounts receivable	—	—	—	—	—
Other current assets	512,202	—	—	—	512,202
Prepaid expenses	67,391	—	—	—	67,391
Income tax receivables	15,274	—	—	—	15,274
Total current assets	<u>1,585,468</u>	<u>220</u>	<u>6,271,783</u>	<u>(700,220)</u>	<u>7,157,251</u>
Property and equipment, net	1,989,709	—	—	—	1,989,709
Deferred tax asset	57,887	—	—	—	57,887
<b>Total Assets</b>	<b><u>\$3,633,064</u></b>	<b><u>\$ 220</u></b>	<b><u>\$ 6,271,783</u></b>	<b><u>\$(700,220)</u></b>	<b><u>\$9,204,847</u></b>

Pieris AG and Pieris Pharmaceuticals, Inc.  
Unaudited pro forma combined balance sheet  
As of September 30, 2014

	Pieris AG (unaudited)	Pieris Pharmaceuticals, Inc. (unaudited)	Pre-Acquisition Pro Forma Adjustments (unaudited)	Acquisition Pro Forma Adjustments (unaudited)	Combined Pro Forma (unaudited)
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>					
<b>Current liabilities</b>					
Trade accounts payable	\$ 251,930	\$ 650	\$ —	\$ (650) D	\$ 251,930
Accrued expenses	178,852	—	—	—	178,852
Other current liabilities	509,089	3,474	—	(3,474) D	509,089
Convertible stockholder loans, including accrued interest, current portion	—	—	—	—	—
Bank loan, including accrued interest, current portion	631,400	—	—	—	631,400
Deferred revenues, current portion	52,218	—	—	—	52,218
Income taxes payable	—	—	—	—	—
Deferred tax liabilities, current portion	57,887	—	—	—	57,887
<b>Total current liabilities</b>	<b>1,681,376</b>	<b>4,124</b>	<b>—</b>	<b>(4,124)</b>	<b>1,681,376</b>
Accrued expenses, non-current	348,533	—	—	—	348,533
Convertible stockholder loans, including accrued interest, net of current portion	4,415,170	—	(4,415,170) A	—	—
Bank loan, including accrued interest,	694,540	—	—	—	694,540
Deferred revenue, net of current portion	—	—	—	—	—
Deferred tax liabilities, net of current portion	—	—	—	—	—
Preferred share subscription	1,262,800	—	(1,262,800) A	—	—
<b>Total liabilities</b>	<b>8,402,419</b>	<b>4,124</b>	<b>(5,677,970)</b>	<b>(4,124)</b>	<b>2,724,449</b>

**Stockholders' Equity**

Common stock—€1.00 par value per share, 59,993 shares authorized and 59,993 issued and outstanding at September 30, 2014	53,889	—	—	(53,889) E	—
Preferred Stock—€1.00 (\$1.27) par value per share, 919,708 shares authorized, issued and outstanding at September 30, 2014	1,214,914	—	—	(1,214,914) E	—
Preferred Stock—€1.00 (\$1.27) par value, 875,104 shares authorized, issued and outstanding (Series C preferred stock from conversion of convertible stockholder loan) at September 30, 2014	—	—	1,109,397 A	(1,109,397) E	—
Preferred Stock—€1.00 (\$1.27) par value, 754,365 shares authorized, issued and outstanding (Series C Tranche 1 cash shares) at September 30, 2014	—	—	955,515 A	(955,515) E	—
Preferred Stock—€1.00 (\$1.25) par value, 234,877 shares authorized, issued and outstanding (Series C Tranche 2 cash shares) at September 30, 2014	—	—	292,950 A	(292,950) E	—
Common stock, par value \$0.001 per share, 300,000,000 shares authorized; 22,500,000 shares issued and outstanding at September 30, 2014	—	6,100	7,764 C	20,000 E	22,500
				(11,364) D	

Additional paid-in capital	56,351,363	19,900	9,591,890	A	(9,948)	D	71,702,192
			(7,764)	C	3,606,666	E	
			2,254,074	B	(121,801)	E	
Receivables from issuance of shares	(121,801)	—	—		121,801	E	—
Accumulated other comprehensive loss	(626,944)	—	—		—		(626,944)
Accumulated deficit	(61,640,776)	(29,904)	(2,254,074)	B	(700,000)	F	(64,617,350)
					25,216	D	
Total stockholders' equity	(4,769,355)	(3,904)	11,949,753		(696,096)		6,480,398
<b>Total Liabilities and Stockholders' Equity</b>	<b>\$ 3,633,064</b>	<b>\$ 220</b>	<b>\$ 6,271,783</b>		<b>\$ (700,220)</b>		<b>\$ 9,204,847</b>

Pieris AG and Pieris Pharmaceuticals, Inc.  
 Unaudited pro forma combined statements of operations  
 Year ended December 31, 2013

	Pieris AG	Pieris Pharmaceuticals, Inc. (unaudited)	Combined Pro Forma (unaudited)
Revenue	\$ 12,427,292	\$ —	\$ 12,427,292
Operating costs and expenses			—
Research and development	(9,411,856)	(322)	(9,412,178)
General and administrative	(2,461,610)	(7,912)	(2,469,522)
	<u>(11,873,466)</u>	<u>(8,234)</u>	<u>(11,881,700)</u>
Income from Operations	553,826	(8,234)	545,592
Other income (expense)			
Interest expense	(493,937)	—	(493,937)
Other income, net	6,307	—	6,307
	<u>(487,630)</u>	<u>—</u>	<u>(487,630)</u>
Income before Income Taxes	66,196	(8,234)	57,963
Income tax benefit	—	—	—
Net income	<u>\$ 66,196</u>	<u>\$ (8,234)</u>	<u>\$ 57,963</u>
Net income per share			
Basic	\$ 0.07	\$ (0.00)	\$ 0.00
Diluted	\$ 0.07	\$ (0.00)	\$ 0.00
Weighted average number of shares outstanding			
Basic	59,993	2,126,697	22,500,000
Diluted	59,993	2,126,697	22,500,000

Pieris AG and Pieris Pharmaceuticals, Inc.  
 Unaudited pro forma combined statements of operations  
 Nine months ended September 30, 2014

	Pieris AG (unaudited)	Pieris Pharmaceuticals, Inc. (unaudited)	Acquisition Pro Forma Adjustments (unaudited)	Combined Pro Forma (unaudited)
Revenue	\$ 2,089,831	\$ —	\$ —	\$ 2,089,831
Operating costs and expenses				—
Research and development	(3,268,262)	(495)	—	(3,268,757)
General and administrative	(4,103,805)	(21,175)	1,150,047	(2,974,933)
	<u>(7,372,067)</u>	<u>(21,670)</u>	<u>1,150,047</u>	<u>(6,243,690)</u>
Loss from Operations	(5,282,236)	(21,670)	1,150,047	(4,153,859)
Other income (expense)				
Interest expense	(404,288)	—	—	(404,288)
Other income, net	2,812	—	—	2,812
	<u>(401,476)</u>	<u>—</u>	<u>—</u>	<u>(401,476)</u>
Loss before income taxes	(5,683,711)	(21,670)	1,150,047	(4,555,334)
Income tax benefit	18	—	—	18
Net loss	<u>\$ (5,683,693)</u>	<u>\$ (21,670)</u>	<u>\$ 1,150,047</u>	<u>\$ (4,555,316)</u>
Net loss per share				
Basic	\$ (5.80)	\$ (0.00)		\$ (0.20)
Diluted	\$ (5.80)	\$ (0.00)		\$ (0.20)
Weighted average number of shares outstanding				
Basic	59,993	5,373,358		22,500,000
Diluted	59,993	5,373,358		22,500,000



#### Pre-Acquisition Pro Forma Adjustments

- A During the fourth quarter of 2014 Pieris AG completed a financing round and issued 1,864,346 Series C preferred shares (the “2014 Series C Financing”). The 2014 Series C Financing included issuing 989,242 shares for aggregate cash proceeds of \$7,534,583, of which \$1,262,800 was received prior to September 30, 2014 and is included as “Preferred share subscription” on the balance sheet as of September 30, 2014. Additionally, principal and interest amounts outstanding related to the 2012 Bridge Loan and 2014 Bridge Loan (\$4,415,170) were converted for 875,104 Series C preferred shares.
- B This adjustment reflects the beneficial conversion feature to convert the convertible stockholder loan. Since the conversion of the Bridge Loan was seen as beneficial, a beneficial conversion feature is recognized within retained earnings and additional paid in capital of \$2,254,074.
- C Pieris Pharmaceuticals, Inc. completed a 2.27272727-for-1 forward split of 6,100,000 outstanding shares of common stock, \$0.001 par value per share, in the form of a dividend, resulting in the issuance of 7,763,636 new shares of common stock. This entry shows the adjustment to the common shares at par value with a corresponding adjustment to additional paid in capital.

#### Acquisition Pro Forma Adjustments

- D Pieris Pharmaceuticals, Inc. transferred its pre-Acquisition assets and liabilities to its former majority stockholder, Aleksandrs Sviks, in exchange for the surrender by him and cancellation of 11,363,635 shares of Pieris Pharmaceuticals, Inc.’s common stock.
- E The adjustment reflects the consummation of the Acquisition via the surrender of the various classes of Pieris AG’s stock in exchange for the issuance of 20,000,000 shares of Pieris Pharmaceuticals Inc.’s common stock, par value of \$ 0.001 per share, to Pieris AG’s stockholders. In connection with the consummation of the Acquisition, Pieris AG waived its right to collect the unpaid subscription price for shares recorded in stockholders’ equity as receivables from issuance of shares in the amount of \$121,801.
- F The adjustment reflects Pieris AG’s estimated payment of additional professional fees and other costs of \$700,000 directly attributable to the Acquisition, which is not yet included in the balance sheet as of September 30, 2014.
- G The adjustment reflects Pieris AG’s actual incurred payment of professional fees and other costs of \$1,150,047 in the nine-month period ended September 30, 2014. The amount of costs directly attributable to the Acquisition which had already been recognized as expenses was reversed within the pro forma statements of operations.