UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 001-36620

NOVUS THERAPEUTICS, INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	**20-1000967**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
19900 MacArthur Blvd., Suite 550 Irvine, California	**92612**
(Address of principal executive offices)	**(Zip Code)**

Registrant's telephone number, including area code: (949) 238-8090

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

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

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

Large accelerated filer	☐	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a small reporting company)	Small reporting company	☒
		Emerging growth company	☒

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

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

As of August 4, 2017, there were 6,943,060 shares of the Registrant's common stock outstanding.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements that involve substantial risks and uncertainties. Any statements in this Quarterly Report on Form 10-Q about the company's future expectations, plans and prospects, including statements about its strategy, future operations, development of its product candidates, the review of strategic alternatives and the outcome of such review and other statements containing the words "believes," "anticipates," "plans," "expects," "estimates," "intends," "predicts," "projects," "targets," "could," "may," and similar expressions, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, although not all forward-looking statements include such identifying words. Forward-looking statements include, but are not limited to statements regarding:

- expectations regarding the timing for the commencement and completion of product development or clinical trials;
- the rate and degree of market acceptance and clinical utility of the company's products;
- the company's commercialization, marketing and manufacturing capabilities and strategy;
- the company's intellectual property position and strategy;
- the company's ability to identify additional products or product candidates with significant commercial potential;
- the company's estimates regarding expenses, future revenue, capital requirements and needs for additional financing;
- developments relating to the company's competitors and industry; and
- the impact of government laws and regulations.

Actual results may differ materially from those indicated by such forward-looking statements as a result of various important factors, including: the ability to develop commercially viable product formulations; the sufficiency of the company's cash resources; the ability to obtain necessary regulatory and ethics approvals to commence additional clinical trials; whether data from early clinical trials will be indicative of the data that will be obtained from future clinical trials; whether the results of clinical trials will warrant submission for regulatory approval of any investigational product; whether any such submission will receive approval from the United States Food and Drug Administration or equivalent foreign regulatory agencies and, if we are able to obtain such approval for an investigational product, whether it will be successfully distributed and marketed. These risks and uncertainties, as well as other risks and uncertainties that could cause the company's actual results to differ significantly from the forward-looking statements contained herein, are described in greater detail in Item 1A. of Part II, *Risk Factors*. Any forward-looking statements contained in this Quarterly Report on Form 10-Q speak only as of the date hereof and not of any future date, and the company expressly disclaims any intent to update any forward-looking statements, whether as a result of new information, future events or otherwise.

NOVUS THERAPEUTICS, INC.
FORM 10-Q
FOR THE QUARTER ENDED JUNE 30, 2017

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited).

NOVUS THERAPEUTICS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share data)

	June 30, 2017	December 31, 2016 (Note 2)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 22,498	$ 1,103
Restricted cash	13	14
Prepaid expenses and other current assets	2,332	33
Total current assets	24,843	1,150
Property and equipment, net	49	31
Restricted cash	70	—
Goodwill	1,867	—
Other assets	15	15
Total assets	$ 26,844	$ 1,196
LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 374	$ 338
Accrued severance	1,300	—
Accrued expenses and other liabilities	1,486	113
Convertible notes	—	3,447
Total current liabilities	3,160	3,898
Long-term liabilities	245	—
Total liabilities	3,405	3,898
Commitments and contingencies (Note 7)		
Stockholders' equity (deficit):		
Preferred stock, $0.001 par value, 5,000,000 shares authorized and 0 issued and outstanding at June 30, 2017; preferred stock, $0.0026 par value, 6,565,540 shares authorized and 452,706 shares issued and outstanding at December 31, 2016	—	11
Common stock, $0.001 par value, 200,000,000 shares authorized and 6,943,832 shares issued and outstanding at June 30, 2017; common stock, $0.0026 par value, 9,207,060 shares authorized and 82,246 shares issued and outstanding at December 31, 2016	7	1
Additional paid-in capital	45,858	11,385
Receipts on account of Preferred A stock	—	291
Accumulated deficit	(22,426)	(14,390)
Total stockholders' equity (deficit)	23,439	(2,702)
Total liabilities and stockholders' equity (deficit)	$ 26,844	$ 1,196

See accompanying notes to unaudited condensed consolidated financial statements.

NOVUS THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS
(In thousands, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating expenses				
Research and development	$ 533	$ 592	$ 1,012	$ 1,282
General and administrative	6,133	340	7,039	762
Total operating expenses	6,666	932	8,051	2,044
Loss from operations	(6,666)	(932)	(8,051)	(2,044)
Other income (expense), net	4	(70)	15	(61)
Net loss and comprehensive loss	$ (6,662)	$ (1,002)	$ (8,036)	$ (2,105)
Net loss per share, basic and diluted (Note 2)	$ (1.32)	$ (2.25)	$ (2.51)	$ (4.68)
Weighted-average common shares outstanding, basic and diluted	4,154,842	77,856	2,270,907	77,856

See accompanying notes to unaudited condensed consolidated financial statements.

NOVUS THERAPEUTICS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

	Six Months Ended June 30,	
	2017	2016
Operating activities		
Net loss	$ (8,036)	$(2,105)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	16	20
Stock-based compensation	236	85
Loss on disposal of fixed assets	31	—
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,167)	45
Accounts payable and accrued expenses	7	(207)
Net cash used in operating activities	(8,913)	(2,162)
Investing activities		
Cash received from merger transaction	23,250	—
Proceeds from sale of equipment	8	—
Purchase of property and equipment	—	(10)
Net cash provided by (used in) investing activities	23,258	(10)
Financing activities		
Proceeds from issuance of common stock, net	4,000	—
Proceeds from exercise of warrants	3,119	—
Net cash provided by financing activities	7,119	—
Net increase (decrease) in cash, cash equivalents and restricted cash	21,464	(2,172)
Cash, cash equivalents and restricted cash at beginning of period	1,117	3,109
Cash, cash equivalents and restricted cash at end of period	$22,581	$ 937
Supplemental disclosure of cash flow information		
Noncash activities:		
Conversion of promissory notes and interest to common stock	$ 3,447	$ —
Conversion of preferred stock to common stock	$ 9	$ —
Conversion of contingently issuable shares to common stock	$ 291	$ —
Fair value of assets acquired and liabilities assumed in the merger:		
Fair value of assets acquired, excluding cash and restricted cash	$ 3,072	
Fair value of liabilities assumed	(2,947)	
Fair value of net assets acquired in the merger	$ 125	

See accompanying notes to unaudited condensed consolidated financial statements.

NOVUS THERAPEUTICS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Description of Business

Novus Therapeutics, Inc. is a development-stage, specialty pharmaceutical company focused on the development of products for disorders of the ear, nose, and throat (ENT). Unless otherwise indicated, references to the terms the "combined company", "Novus", the "Company", refer to Otic Pharma, Ltd. prior to the consummation of the Merger, and Novus Therapeutics, Inc., upon the consummation of the Merger described herein. The term "Tokai" refers to Tokai Pharmaceuticals, Inc., and its subsidiaries prior to the Merger.

Novus, a Delaware corporation, owns 100% of the issued and outstanding common stock or other ownership interest in Otic Pharma, Ltd., a private limited company organized under the laws of the State of Israel. Otic Pharma, Ltd. ("Otic") owns 100% of the issued and outstanding common stock or other ownership interest in its U.S. subsidiary, Otic Pharma, Inc.

All intercompany transactions between the consolidated entities are eliminated in consolidation.

Reverse Merger

On December 21, 2016, Tokai Pharmaceuticals, Inc. ("Tokai"), a Delaware corporation, Otic, and the shareholders of Otic (each a "Seller" and collectively, the "Sellers"), entered into a Share Purchase Agreement (the "Share Purchase Agreement"), pursuant to which, among other things, each Seller agreed to sell to Tokai, and Tokai agreed to purchase from each Seller, all of the common and preferred shares of Otic ("Otic Shares") owned by such Seller in exchange for the issuance of a certain number of shares of common stock of Tokai, as determined pursuant to the terms of the Share Purchase Agreement (the "Reverse Merger"). The parties amended and restated the Share Purchase Agreement on March 2, 2017.

On May 9, 2017, Tokai, Otic, and the Sellers closed the transaction contemplated by the Share Purchase Agreement, and subsequently effected a reverse stock split at a ratio of one-for-nine (see *Reverse Stock Split* below). On a post-split basis, Tokai issued to the Sellers an aggregate of 4,027,693 shares of Tokai's common stock in exchange for 836,857 Otic Shares. Following the completion of the Reverse Merger, the business being conducted by Tokai became primarily the business conducted by Otic. In connection with the Reverse Merger, the name of the surviving corporation was changed to "Novus Therapeutics, Inc."

Private Placement

On January 31, 2017, Novus entered into a stock purchase agreement (the "Stock Purchase Agreement") with certain purchasers named therein (the "Purchasers"), pursuant to which the Purchasers agreed to purchase approximately $4 million of the Company's common stock through the purchase of 400,400 shares of the Company's common stock at a price of $9.99 per share. This transaction closed on May 10, 2017. After giving effect to the issuance of the shares in the private placement, the shareholders of Otic owned approximately 64% of the Company's common stock.

Reverse Stock Split

On May 11, 2017, Novus effected a reverse stock split of its issued and outstanding common stock and options for common stock at a ratio of one-for-nine. The Company filed an Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware effecting such reverse stock split. The accompanying condensed consolidated financial statements and notes give retroactive effect to the reverse stock split for all periods presented.

Liquidity and Financial Condition

For the year ended December 31, 2016, the Company has adopted FASB Accounting Standard Codification ("ASC") Topic 205-40, *Presentation of Financial Statements – Going Concern*, which requires that management evaluate whether there are relevant conditions and events that, in the aggregate, raise substantial doubt about the entity's ability to continue as a going concern and to meet its obligations as they become due within one year after the date that the financial statements are issued.

The Company has experienced recurring net losses and negative cash flows from operating activities since its inception. The Company recorded a net loss of $8.0 million for the six months ended June 30, 2017. As of June 30, 2017, the Company had working capital of $21.7 million and an accumulated deficit of $22.4 million. Management estimates that the Company has sufficient cash resources to meet anticipated cash needs through at least the next 12 months from the date of issuance of these financial statements. Due to continuing research and development activities, the Company expects to continue to incur net losses into the foreseeable future. In order to continue these activities, the Company may need to raise additional funds through future public or private debt and equity financings or strategic collaboration and licensing arrangements. If the Company issues equity or convertible debt securities to raise additional funding, its existing stockholders may experience dilution, it may incur significant financing costs, and the new equity or convertible debt securities may have rights, preferences and privileges senior to those of its existing stockholders. If the Company issues debt securities to raise additional funding, it would incur additional debt service obligations, it could become subject to additional restrictions limiting its ability to operate its business, and it may be required to further encumber its assets. Sufficient additional funding may not be available or be available on acceptable terms. If so, the Company may need to delay, reduce the scope of, or put on hold research and development activities while the Company seeks strategic alternatives.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

The unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") and Article 10 of Regulation S-X requirements as set forth by the Securities and Exchange Commission (SEC) for interim financial information and reflect all adjustments and disclosures, which are, in the opinion of management, of a normal and recurring nature, considered necessary for a fair presentation of the financial information contained herein. The unaudited condensed consolidated financial statements do not include all information and notes necessary for a complete presentation of results of operations and comprehensive loss, financial position, and cash flows in conformity with GAAP.

The accompanying unaudited condensed consolidated financial statements and notes should be read in conjunction with the audited financial statements and accompanying notes of Otic for the year ended December 31, 2016 included in the definitive proxy statement on Schedule 14A relating to the Reverse Merger filed by the Company with the SEC on April 7, 2017. The results of operations and comprehensive loss for the three and six months ended June 30, 2017 are not necessarily indicative of expected results for the full fiscal year or any other future period.

There have been no significant and material changes in our critical accounting policies and significant judgments and estimates during the three and six months ended June 30, 2017, except as described below.

Use of Estimates

The preparation of the Company's financial statements in conformity with GAAP requires management to make informed estimates and assumptions that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in the Company's financial statements and accompanying notes. The most significant estimates in the Company's financial statements relate to the valuation of certain financial instruments, stock-based compensation, and accruals for liabilities and other matters that affect the condensed consolidated financial statements and related disclosures. Actual results could differ materially from those estimates under different assumptions or conditions and the differences may be material to the consolidated financial statements.

Business Combinations

Accounting for acquisitions requires extensive use of estimates and judgment to measure the fair value of the identifiable tangible and intangible assets acquired, including in-process research and development and liabilities assumed. Additionally, the Company must determine whether an acquired entity is considered a business or a set of net assets because the excess of the purchase price over the fair value of net assets acquired can only be recognized as goodwill in a business combination. The Company accounted for the merger with Tokai as a business combination under the acquisition method of accounting. Consideration paid to acquire Tokai was measured at fair value and included the exchange of Tokai's common stock and preferred stock. The allocation of the purchase price resulted in recognition of intangible assets related to goodwill. The operating activity for Tokai, the acquiree for accounting purposes, was immediately integrated with Otic post-merger, therefore it is not practical to segregate results of operations related specifically to Tokai since the date of acquisition.

As a result of the merger, historical common stock, stock options and additional paid-in capital, including share and per share amounts, have been retroactively adjusted to reflect the equity structure of the Company.

Goodwill

Goodwill represents the difference between the consideration transferred and the fair value of the net assets acquired under the acquisition method of accounting. Goodwill is not amortized but is evaluated for impairment during the last fiscal quarter of the year or if indicators of impairment exist that would, more likely than not, reduce the fair value from its carrying amount.

Net Loss Per Share

Basic net loss per common share is calculated by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding during the period, without consideration for potentially dilutive securities. Diluted net loss per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares and potentially dilutive securities outstanding for the period determined using the treasury-stock and if-converted methods. For purposes of the diluted net loss per share calculation, preferred stock, convertible notes and accrued interest, and stock options and warrants are considered to be potentially dilutive securities and are excluded from the calculation of diluted net loss per share because their effect would be anti-dilutive. Therefore, basic and diluted net loss per share was the same for the periods presented due to the Company's net loss position.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
	(In thousands, except share and per share data)			
Net loss available to stockholders of the company	(6,662)	(1,002)	(8,036)	(2,105)
Interest accumulated on preferred shares and on preferred shares contingently issuable for little or no cash	(98)	(229)	(328)	(459)
Net loss attributable to shareholders of preferred shares and to shareholders of preferred shares contingently issuable for little or no cash	1,279	1,056	2,666	2,200
Net loss used in the calculation of basic and diluted loss per share	$ (5,481)	$ (175)	$ (5,698)	$ (364)
Net loss per share, basic and diluted	$ (1.32)	$ (2.25)	$ (2.51)	$ (4.68)
Weighted-average number of common shares	4,154,842	77,856	2,270,907	77,856

The computation of diluted earnings per share excludes stock options, warrants, and restricted stock units that are anti-dilutive. For the three and six months ended June 30, 2017, common share equivalents of 587,819 shares were anti-dilutive. For the three and six months ended June 30, 2016, common

share equivalents of 347,611 shares were anti-dilutive.

Stock-based Compensation

For stock options granted to employees, the Company recognizes compensation expense for all stock-based awards based on the grant-date estimated fair value. The value of the portion of the award that is ultimately expected to vest is recognized as expense ratably over the requisite service period. The fair value of stock options is determined using the Black-Scholes option pricing model net of estimated forfeitures. The determination of fair value for stock-based awards on the date of grant using an option pricing model requires management to make certain assumptions regarding a number of complex and subjective variables.

Stock-based compensation expense related to stock options granted to nonemployees is recognized based on the fair value of the stock options, determined using the Black-Scholes option pricing model, as they are earned. The awards generally vest over the period the Company expects to receive services from the non-employee. Stock options granted to non-employees are subject to periodic revaluation over their vesting terms.

Since the Company has a net operating loss carry-forward as of June 30, 2017, no excess tax benefits for tax deductions related to share-based awards were recognized in the accompanying consolidated statements of operations.

Recently Issued Accounting Pronouncements

In January 2016, the FASB issued Accounting Standards Update ("ASU") No. 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*, which updates certain aspects of recognition, measurement, presentation, and disclosure of financial instruments. ASU No. 2016-01 will be effective for the Company beginning in its first quarter of 2018. The adoption of ASU No. 2016-01 is not expected to have a material impact on the Company's condensed consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. Under this guidance, an entity is required to recognize right-of-use assets and lease liabilities on its balance sheet and disclose key information about leasing arrangements. This guidance offers specific accounting guidance for a lessee, a lessor, and sale and leaseback transactions. Lessees and lessors are required to disclose qualitative and quantitative information about leasing arrangements to enable a user of the financial statements to assess the amount, timing and uncertainty of cash flows arising from leases. This guidance is effective for the annual reporting period beginning after December 15, 2018, including interim periods within that reporting period, and requires a modified retrospective adoption, with early adoption permitted. The Company is currently evaluating the impact on its condensed consolidated financial statements of the adoption of this guidance.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which modifies the measurement of expected credit losses of certain financial instruments. ASU No. 2016-13 will be effective for the Company beginning in its first quarter of 2020 and early adoption is permitted. The adoption of ASU No. 2016-13 is not expected to have a material impact on the Company's condensed consolidated financial statements.

In October 2016, the FASB issued ASU No. 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfer of Assets Other than Inventory*, which requires the recognition of the income tax consequences of an intra-entity transfer of an asset, other than inventory, when the transfer occurs. ASU No. 2016-06 will be effective for the Company in the first quarter of 2018. The Company is currently evaluating the impact of adopting ASU No. 2016-16 on its condensed consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-01, *Clarifying the Definition of a Business (Topic 805)*, which clarifies and provides a more robust framework to use in determining when a set of assets and activities is a business. The amendments in this update should be applied prospectively on or after the effective date. This update is effective for annual periods beginning after December 15, 2017, and interim periods within those periods. Early adoption is permitted for acquisition or deconsolidation transactions occurring before the issuance date or effective date and only when the transactions have not been reported in issued or made available for issuance financial statements. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to early adopt the new guidance.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350)*, which eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Instead, entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The standard has tiered effective dates, starting in 2020 for calendar-year public business entities that meet the definition of an SEC filer. Early adoption is permitted for annual and interim goodwill impairment testing dates after January 1, 2017. The Company is in the process of determining the effects the adoption will have on its consolidated financial statements as well as whether to early adopt the new guidance.

Recently Adopted Accounting Pronouncements

In March 2016, the FASB issued ASU No. 2016-09, *Compensation—Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This guidance identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. This guidance is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period, with early adoption permitted. The Company early adopted ASU No. 2016-09 in the fourth quarter of 2016 and the adoption did not have a material impact on its condensed consolidated financial statements.

In November 2016, the FASB issued ASU No. 2016-18, *Statements of Cash Flows (Topic 230): Classification and Presentation of Restricted Cash in the Statements of Cash Flows*, which requires that restricted cash and restricted cash equivalents be included as components of total cash and cash equivalents in the statement of cash flows. The Company adopted the provisions of this guidance using the retrospective approach in the first quarter of 2017. The adoption did not have a material impact on its condensed consolidated financial statements but did impact the presentation of the cash flow statement.

Note 3. Reverse Merger

We completed the Reverse Merger with Tokai as discussed in Note 1. Based on the terms of the Reverse Merger, the Company concluded that the transaction is a business combination pursuant to ASC 805 *Business Combinations*, Otic was deemed the acquiring company for accounting purposes, and the transaction has been accounted for as a reverse acquisition under the acquisition method of accounting for business combinations in accordance with U.S. GAAP. Under the acquisition method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of Tokai based on their estimated fair values as of the Reverse Merger closing date. The excess of the purchase price over the fair value of assets acquired and liabilities assume, if any, is allocated to goodwill.

On May 9, 2017, Tokai issued 4,027,693 shares of its common stock to the shareholders of Otic and the holders of warrants and options of Otic upon the exercise of such options and warrants in exchange for 836,857 Otic Shares.

Purchase Consideration

The purchase price for Tokai on May 9, 2017, the closing date of the merger, was as follows (in thousands):

Fair value of Tokai common stock outstanding (1)	$14,486
Premium paid (2)	8,889
Purchase price	$23,375

(1) Comprised of 2,515,739 shares of common stock outstanding at the date of the Reverse Merger based on the closing price of $5.76 per share on May 9, 2017, as adjusted for the one for nine reverse stock split on May 11, 2017.
(2) Premium paid over fair value of common stock based on net tangible asset multiple of 1.08x book value of Tokai equity of $21.5 million as of May 9, 2017.

Allocation of Purchase Consideration

The allocation of the estimated purchase price to the acquired assets and liabilities assumed of Tokai, based on their estimated fair values as of May 9, 2017, the close of the transaction, is as follows (in thousands):

Cash, cash equivalents, and restricted cash	$23,250
Prepaids and other current assets	1,132
Property and equipment	73
Goodwill	1,867
Accounts payable, accrued expenses and other liabilities	(2,947)
Net assets acquired	$23,375

The Company engaged a third-party valuation firm to assist management in its analysis of the fair value of Tokai. All estimates, key assumptions, and forecasts were either provided by or reviewed by management. While the Company chose to utilize a third-party valuation firm, the fair value analysis and related valuations represent the conclusions of management and not the conclusions or statements of any third party. The excess of the total purchase price over the fair value of assets acquired and liabilities assumed was allocated to goodwill.

The Company believes that the historical values of Tokai's current assets and current liabilities approximate fair value based on the short-term nature of such items.

Goodwill is calculated as the difference between the fair value of the consideration expected to be transferred and the values assigned to the identifiable tangible and intangible assets acquired and liabilities assumed. Goodwill is not expected to be deductible for tax purposes.

The unaudited financial information in the following table summarizes the combined results of operations of the Company and Tokai, on a pro forma basis, as if the merger had occurred at the beginning of the periods presented (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Operating expenses				
Research and development	$ 686	$ 10,487	$ 1,471	$ 19,109
General and administrative	2,592	4,020	5,474	7,991
Total operating expenses	3,278	14,507	6,945	27,100
Loss from operations	(3,278)	(14,507)	(6,945)	(27,100)
Other income, net	18	(21)	55	42
Net loss and comprehensive loss	$ (3,260)	$ (14,528)	$ (6,890)	$ (27,058)
Net loss per share, basic and diluted	$ (0.47)	$ (2.20)	$ (0.99)	$ (4.10)
Weighted-average shares outstanding, basic and diluted	6,943,831	6,605,009	6,943,831	6,605,009

The above unaudited pro forma information was determined based on historical GAAP results of Otic and Tokai. The unaudited pro forma combined results are not necessarily indicative of what the Company's combined results of operations would have been if the acquisition was completed at the beginning of the periods presented. The unaudited pro forma combined net loss includes pro forma adjustments primarily relating to the following non-recurring items directly attributable to the business combination:

- Elimination of transaction costs of $5.4 million and $7.0 million incurred during the three and six months ended June 30, 2017, respectively. These amounts have been eliminated on a pro forma basis as they are not expected to have a continuing effect on the operating results of the combined company.
- An increase in the weighted-average shares outstanding for the period after giving effect to the issuance of Tokai common stock in connection with the Reverse Merger and Equity Financing.

The combined aggregate transaction costs of the Company were $7.7 million, which were expensed as incurred.

Note 4. Fair Value

Financial assets and liabilities are recorded at fair value. At June 30, 2017, the Company had no financial instruments included. At December 31, 2016, the Company's financial instruments included short-term convertible debt. The carrying amount of the short-term convertible debt approximates fair value due to the short-term maturities of these instruments.

The Company measures the fair value of certain of its financial instruments on a recurring basis. A fair value hierarchy is used to rank the quality and reliability of the information used to determine fair values. Financial assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1—Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2—Inputs other than Level 1 that are observable, either directly or indirectly, such as unadjusted quoted prices for similar assets and liabilities, unadjusted quoted prices in the markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3—Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

There have been no transfers of assets for liabilities between these fair value measurement classifications during the periods presented.

The Company had no financial assets or liabilities measured at fair value on a recurring basis at June 30, 2017.

The following table summarizes the Company's financial assets and liabilities measured at fair value on a recurring basis at December 31, 2016 (in thousands):

	Level 1	Level 2	Level 3	Total
Liabilities				
Convertible notes	—	3,447	—	3,447
Total liabilities at fair value	$ —	$3,447	$ —	$3,447

Note 5. Accrued Expenses

Accrued expenses consisted of the following as of June 30, 2017 and December 31, 2016 (in thousands):

	June 30, 2017	December 31, 2016
Accrued clinical	$ 518	$ —
Accrued compensation and related expenses	349	51
Accrued professional services	276	—
Accrued vacation	122	50
Accrued other	221	12
Total accrued expenses	$1,486	$ 113

Note 6. Convertible Loan

On July 11, 2016, OrbiMed Israel Partners Limited Partnership and Peregrine Management II Ltd., provided Otic with a convertible bridge financing (the "Bridge Financing") in the aggregate amount of $2.9 million (the "Bridge Financing Amount"), pursuant to a Bridge Financing Agreement (the "Bridge Financing Agreement"). Under the terms of the Bridge Financing Agreement, other than upon occurrence of an Event of Default (as defined in the Bridge Financing Agreement), Otic is not required to repay the Bridge Financing Amount or any portion in cash. The Bridge Financing Agreement further provides that upon a Deemed Liquidation (as defined in Otic's Articles of Association), the Bridge Financing Amount is convertible into Preferred C Shares of Otic at a price per share representing 85% of the Preferred C Shares' original issue price. Upon closing of the Reverse Merger, pursuant to the terms of the Bridge Financing Agreement, the Bridge Financing amount converted into 67,427 shares of common stock.

The Company concluded the value of the Bridge Financing is predominantly based on a fixed monetary amount known at the date of issuance as represented by the 15% discount on the Company's shares to be sold upon a Deemed Liquidation event. Accordingly, the Bridge Financing was classified as debt and was remeasured at its fair value of $3.4 million. As of June 30, 2017, the Company has no convertible debt.

Note 7. Commitments and Contingencies

Leases

The Company leases office space and equipment under various operating leases. These leases are generally subject to scheduled base rent and maintenance cost increases, which are recognized on a straight-line basis over the term of the leases. Total rental expense for all operating leases in the accompanying condensed consolidated statements of operations and comprehensive loss was $141,000 and $46,000 for the three months ended June 30, 2017 and 2016, respectively, and $182,000 and $105,000 for the six months ended June 30, 2017 and 2016, respectively.

Grants and Licenses

From 2012 through 2015, the Company received grants in the amount of approximately $537,000 from the Office of Chief Scientist designated for investments in research and development. The grants are linked to the U.S. dollar and bear annual interest of LIBOR. The grants are to be repaid out of royalties from sales of the products developed by the Company from their investments in research and development. Because the Company has not yet earned revenues related to these investments and cannot estimate potential royalties, no liabilities related to these grants have been recorded as of each period presented.

In November 2015, the Company entered into an exclusive license agreement with Scientific Development and Research, Inc. and Otodyne, Inc. (collectively, the "Licensors") granting it an exclusive worldwide rights to develop and commercialize OP-02. Under the terms of the agreement, the Company is obligated to use commercially reasonable efforts to seek approval for and commercialize at least one product for otitis media in the U.S. and key European markets (France, Germany, Italy, Spain, and the United Kingdom). The Company is responsible for prosecuting, maintaining, and enforcing all intellectual property and will be the sole owner of improvements. Under the agreement with the Licensors, the Company paid license fees totaling $700,000 and issued 9,780 common shares to the Licensors.

In December 2015, the Licensors completed transfer of all technology, including the active Investigational New Drug application ("IND") to the Company. The Company is obligated to pay up to $42.1 million in development and regulatory milestones if OP-02 is approved for three indications in the U.S., two in Europe, and two in Japan. The Company is also obligated to pay up to $36.0 million in sales based milestones, beginning with sales exceeding $1.0 billion in a calendar year. The Company is also obligated to pay a tiered royalty for a period up to eight years, on a country-by-country basis. The royalty ranges from low-single to mid-single percent of net sales.

The Company has a master license agreement with the University of Maryland, Baltimore ("UMB"), which was originally entered into by Tokai. Pursuant to the license agreement, UMB granted an exclusive, worldwide license, with the right to sublicense, under certain patents and patent applications to make, have made, use, sell, offer to sell and import certain anti-androgen steroids, including galeterone, for the prevention, diagnosis, treatment or control of any human or animal disease. In addition, UMB granted the Company a first option to receive an exclusive license to UMB's rights in certain improvements to the licensed products. The Company has exercised its option and acquired exclusive rights to licensed improvements under four amendments to the license agreement. The Company is obligated to pay UMB an annual maintenance fee of $10,000 each year until the first commercial sale of a product developed using the licensed technology. The Company is also obligated to make milestone payments of an additional $50,000 for the filing of each additional investigational new drug application filed for a licensed product, aggregate milestone payments of up to $150,000 associated with the development of a licensed product for a particular non-prostate disease indication, and a $100,000 milestone payment upon the approval by the U.S. Food and Drug Administration ("FDA") of each new drug application ("NDA") for a licensed product. There were no milestones achieved during the six months ended June 30, 2017 or 2016.

The Company must also pay UMB a low-single digit percentage royalty on aggregate worldwide net sales of licensed products, including sales by sublicensees, on a licensed product-by-licensed product and country-by-country basis until the later of the expiration of the last-to-expire applicable licensed patent or ten years after first commercial sale of the applicable licensed product, in each case in the applicable country. The royalty obligations are subject to specified reductions in the event that additional licenses need to be obtained from third parties or in the event of specified competition from third-party products licensed by UMB. Minimum annual royalty payments to UMB are $50,000 beginning in the year following the year in which the first commercial sale occurs. The Company must also pay UMB 10% of all non-royalty sublicense income received from sublicensees. Finally, the Company is responsible for all patent expenses related to the prosecution and maintenance of the licensed patents. As of June 30, 2017, the Company has not yet developed a commercial product using the licensed technologies, nor has it entered into any sublicense agreements for the technologies.

In January 2015, the Company (through Tokai) entered into an exclusive license agreement with The Johns Hopkins University ("Johns Hopkins") pursuant to which Johns Hopkins granted the Company an exclusive, worldwide license under certain patents and patent applications, and a non-exclusive license under certain know-how, in each case with the right to sublicense, to make, have made, use, sell, offer to sell and import certain assays to identify androgen receptor variants for use as a companion diagnostic with galeterone. In addition, Johns Hopkins granted the Company an option to negotiate an exclusive license to Johns Hopkins's rights in certain improvements to the licensed intellectual property.

In consideration for the rights granted to the Company under the license agreement, the Company made an upfront payment to Johns Hopkins of $75,000 following the execution of the license agreement, which was recognized as research and development expense during the year ended December 31, 2015. The Company is obligated to pay Johns Hopkins an annual minimum royalty of up to $30,000 and to make milestone payments to Johns Hopkins upon the achievement of specified technical and commercial milestones. If all such milestones were achieved, the total milestone payments owed to Johns Hopkins would equal $700,000 in the aggregate. During the year ended December 31, 2015, the Company expensed $50,000 upon the achievement of two of these milestones. The Company has not achieved any other milestones and, therefore, no additional liabilities for such milestone payments have been recorded in the Company's financial statements.

The Company must also pay Johns Hopkins single digit percentage royalties on aggregate worldwide net sales of licensed products (but not galeterone), including sales by sublicensees, on a licensed product-by-licensed product and country-by-country basis until the later of the expiration of the last-to-expire applicable licensed patent or ten years after first commercial sale of the applicable licensed product, in each case in the applicable country. These royalty obligations are subject to specified reductions in the event that additional licenses from third parties are required. The Company must also pay Johns Hopkins 20% of all non-royalty sublicense income received from sublicensees and reimburse Johns Hopkins for patent costs. As of June 30, 2017, the Company has not yet developed a commercial product using the licensed technologies.

Legal Matters

The Company is involved in various lawsuits and claims arising in the ordinary course of business, including actions with respect to intellectual property, employment, and contractual matters. In connection with these matters, the Company assesses, on a regular basis, the probability and range of possible loss based on the developments in these matters. A liability is recorded in the financial statements if it is believed to be probable that a loss has been incurred and the amount of the loss can be reasonably estimated. Because litigation is inherently unpredictable and unfavorable results could occur, assessing contingencies is highly subjective and requires judgments about future events. The Company regularly reviews outstanding legal matters to determine the adequacy of the liabilities accrued and related disclosures. The amount of ultimate loss may differ from these estimates. Each matter presents its own unique circumstances, and prior litigation does not necessarily provide a reliable basis on which to predict the outcome, or range of outcomes, in any individual proceeding. Because of the uncertainties related to the occurrence, amount, and range of loss on any pending litigation or claim, the Company is currently unable to predict their ultimate outcome, and, with respect to any pending litigation or claim where no liability has been accrued, to make a meaningful estimate of the reasonably possible loss or range of loss that could result from an unfavorable outcome. In the event that opposing litigants in outstanding litigation proceedings or claims ultimately succeed at trial and any subsequent appeals on their claims, any potential loss or charges in excess of any established accruals, individually or in the aggregate, could have a material adverse effect on the Company's business, financial condition, results of operations, and/or cash flows in the period in which the unfavorable outcome occurs or becomes probable, and potentially in future periods.

Legal Proceedings

Doshi Action.

On August 1, 2016, a purported stockholder of Tokai filed a putative class action lawsuit in the U.S. District Court for the Southern District of New York against Tokai, Jodie P. Morrison, and Lee H. Kalowski, entitled *Doshi v. Tokai Pharmaceuticals, Inc., et al.,* No. 1:16-cv-06106 ("Doshi Action"). The plaintiff sought to represent a class of purchasers of Tokai securities between June 24, 2015, and July 25, 2016, and alleges that, in violation of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder, defendants made false and misleading statements and omissions about Tokai's clinical trials for its drug candidate, galeterone. The lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. On October 3, 2016, the case was transferred to the U.S. District Court for the District of Massachusetts. A lead plaintiff has yet to be appointed.

Legal Proceedings Related to Tokai IPO

On September 22, 2014, Tokai completed the initial public offering of its common stock (the IPO"). Subsequent to the IPO, several lawsuits were filed against Tokai, Jodie Pope Morrison, Lee H. Kalowski, Seth L. Harrison, Timothy J. Barberich, David A. Kessler, Joseph A. Yanchik, III, and the underwriters of the IPO (collectively, the "IPO Defendants"). The lawsuits allege that, in violation of the Securities Act of 1933 ("Securities Act"), Tokai's registration statement for the IPO made false and misleading statements and omissions about Tokai's clinical trials for galeterone. Each lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. Further details on each lawsuit are set forth below.

- Jackie888 Action. On August 19, 2016, a purported stockholder of Tokai filed a putative class action lawsuit in the Superior Court of the State of California, County of San Francisco, against the IPO defendants, entitled *Jackie888, Inc. v. Tokai Pharmaceuticals, Inc., et al.,* No. CGC-16-553796. The plaintiff sought to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO. On October 19, 2016, the defendants moved to dismiss or stay the action on grounds of forum non conveniens, and certain individual defendants moved to quash the plaintiff's summons for lack of personal jurisdiction. On February 27, 2017, the Superior Court entered an order granting defendants' motion to stay the lawsuit.
- Garbowski Action. On September 29, 2016, two purported stockholders of Tokai filed a putative class action lawsuit in the U.S. District Court for the District of Massachusetts against the IPO defendants, entitled *Garbowski, et al. v. Tokai Pharmaceuticals, Inc., et al.,* No. 1:16-cv-11963 ("Garbowski Action"). This lawsuit also alleges that the defendants and Tokai's registration statement for its IPO made false and misleading statements and omissions about Tokai's clinical trials for galeterone, in violation of the Securities Act, the Exchange Act, and Rule 10b-5. The plaintiffs sought to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO as well as a class of purchasers Tokai common stock between September 17, 2014, and July 25, 2016. A prospective lead plaintiff has filed a motion to consolidate the Doshi and Garbowski Actions for all purposes. A lead plaintiff has yet to be appointed.

- Wu Action. On December 5, 2016, a putative securities class action was filed in the Business Litigation Session of the Superior Court Department of the Suffolk County Trial Court, Massachusetts ("Massachusetts State Court") against the IPO defendants, entitled *Wu v. Tokai Pharmaceuticals, Inc., et al.,* 16-3725 BLS ("Wu Action"). The plaintiff seeks to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO. On December 19, 2016, defendants removed the Wu Action to the U.S. District Court for the District of Massachusetts, where it was captioned *Wu v. Tokai Pharmaceuticals, Inc., et al.,* 16-cv-12550, and assigned to the same judge presiding over the Doshi and Garbowski Actions. On December 22, 2016, defendants filed a motion to consolidate the Wu Action with the Doshi and Garbowski Actions. On January 6, 2017, plaintiff filed a motion to remand the Wu Action to Massachusetts State Court.
- Angelos Action. On July 25, 2017, a purported stockholder of Tokai filed a putative class action lawsuit in the U.S. District Court for the District of Massachusetts against the IPO defendants, entitled *Peter B. Angelos v. Tokai Pharmaceuticals, Inc., et al.,* No. 1:17-cv-11365-MLW. The case has been assigned to the same judge presiding over the Doshi, Garbowski, and Wu Actions.

Legal Proceedings Related to Reverse Merger

In connection with the Reverse Merger, two putative securities class actions have been filed in the U.S. District Court for the District of Massachusetts against Tokai, Jodie P. Morrison, Seth L. Harrison, Stephen Buckley, Jr., Cheryl L. Cohen, David A. Kessler, and Joseph A. Yanchik, III. The two complaints are captioned as follows: *Bushansky v. Tokai Pharmaceuticals, Inc., et al.*, No. 1:17-cv-10621-DPW (filed April 11, 2017), and *Wilson v. Tokai Pharmaceuticals, Inc., et al.*, No. 1:17-cv-10645-DPW (filed April 14, 2017). Each lawsuit alleges that Tokai's definitive proxy statement on Schedule 14A filed with the SEC on April 7, 2017 (the "Definitive Proxy Statement") made false and misleading statements and omissions in connection with the Reverse Merger, in violation of the Exchange Act and Rule 14a-9, promulgated thereunder. Each plaintiff sought to represent a class of all persons and entities that owned Tokai common stock. Each lawsuit sought, among other things, preliminary and permanent injunctions of the Reverse Merger unless Tokai disclosed certain information requested by plaintiff, rescission and unspecified damages if the Reverse Merger is consummated, and attorneys' fees. These two actions are collectively referred to as the "Stockholder Litigation." On June 6, 2017, each of the plaintiffs in these two actions, the Stockholder Litigation, voluntarily dismissed the actions with prejudice as to Plaintiff only and without prejudice as to the putative class in the action.

Novus believes it has valid defenses with respect to each of the legal proceedings discussed above and intends to vigorously defend itself against the claims asserted in such proceedings. However, Novus is unable to predict the ultimate outcome of these actions, and, therefore cannot estimate its possible losses or ranges of losses, if any, or the materiality thereof. An unexpected unfavorable resolution of these matters in any reporting period may have a material adverse effect on Novus' results of operations and cash flows for that period.

Indemnification

In the normal course of business, the Company enters into contracts and agreements that contain a variety of representations and warranties and provide for general indemnification. The Company's exposure under these agreements is unknown because it involves future claims that may be made against the Company but have not yet been made. To date, the Company has not paid any claims or been required to defend any action related to its indemnification obligations. However, the Company may record charges in the future because of these indemnification obligations. No amounts associated with such indemnifications have been recorded to date.

Contingencies

From time to time, the Company may have certain contingent liabilities that arise in the ordinary course of business activities. The Company accrues a liability for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. There have been no contingent liabilities requiring accrual at June 30, 2017.

Note 8. Income Taxes

The Company is subject to income taxes under the Israeli and U.S. tax laws. The Company was subject to an Israeli corporate tax rate of 25% in the year 2016 and will be subject to an Israeli corporate tax rate of 24% in the year 2017 and 23% in the year 2018 and thereafter. The Company was subject to a blended U.S. tax rate (Federal as well as state corporate tax) of 35% in 2016.

Note 9. Stockholders' Equity

Warrants

In March 2017, OrbiMed Israel Partners Limited Partnership, a related party, exercised a warrant to purchase 22,679 shares of Preferred B shares of the Company at $17.64 per share for an aggregate amount of approximately $400,000.

In May 2017, OrbiMed Israel Partners Limited Partnership, a related party, exercised warrants to purchase 149,686 shares of Preferred B shares and 10,737 shares Ordinary Shares of the Company at a weighted-average price of $16.46 per share for an aggregate amount of approximately $2.6 million.

In May 2017, Peregrine Management II Ltd., a related party, exercised warrants to purchase 4,460 shares of Preferred B shares and 2,148 shares Ordinary Shares of the Company at a weighted-average price of $11.91 per share for an aggregate amount of approximately $79,000.

In May 2017, Pontifax, in a cashless exercise, purchased 18,940 shares of Ordinary Shares of the Company.

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

The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read together with our audited financial statements and accompanying notes for the year ended December 31, 2016 included in Item 9.01 of our Current Report on Form 8-K/A filed on July 25, 2017. In addition to historical information, this discussion and analysis contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Please see Part II, Item 1A. *Risk Factors* for a discussion of certain risk factors applicable to our business, financial condition, and results of operations. Operating results are not necessarily indicative of results that may occur for the full fiscal year or any other future period. The term "Otic Pharma" refers to Novus Therapeutics, Inc., prior to the consummation of the Reverse Merger. Unless otherwise indicated, references to the terms the "combined company", "Novus", the "Company", "we", "our" and "us" refer to Otic Pharma, prior to the consummation of the Reverse Merger and Novus Therapeutics, Inc., upon the consummation of the Reverse Merger described herein. The term "Tokai" refers to Tokai Pharmaceuticals, Inc. prior to the Reverse Merger.

ABOUT NOVUS THERAPEUTICS

Novus Therapeutics, Inc. is a development-stage, specialty pharmaceutical company focused on the development of products for disorders of the ear, nose, and throat (ENT).

Novus, a Delaware corporation, owns 100% of the issued and outstanding common stock or other ownership interest in Otic Pharma, Ltd., a private limited company organized under the laws of the State of Israel. Otic Pharma, Ltd. ("Otic") owns 100% of the issued and outstanding common stock or other ownership interest in its U.S. subsidiary, Otic Pharma, Inc.

Novus has no products approved for commercial sale. Novus has not generated any revenue and has incurred significant operating losses in each year since its inception in 2008. Substantially all of Novus' operating losses resulted from expenses incurred in connection with its research and development programs and from general and administrative costs associated with its operations. Novus will need to expend substantial resources and expects to continue to generate operating losses for the foreseeable future as it continues to pursue its research and development programs for the treatment of AOE and OM. Novus is subject to a number of risks and uncertainties similar to those of other life science companies developing new products, including, among others, the risks related to the necessity to obtain adequate additional financing, to successfully develop product candidates, to obtain regulatory approval of product candidates, to comply with government regulations, to successfully commercialize its potential products, to the protection of proprietary technology and to the dependence on key individuals. Furthermore, due to the uncertainty of pharmaceutical product development, Novus may never achieve future revenue through product sales, licensing or partnership agreements.

OP-01 Foam Platform

OP-01 is being developed with the intent to be used as a delivery vehicle for drugs to be administered into the ears, as well as the nasal and sinus cavities. Specifically, OP-01 is being developed as an improved treatment option for acute otitis externa ("AOE" or "swimmers ear"), a common medical condition of the outer ear canal that affects tens of millions of adults and children each year. Novus has completed four clinical trials of OP-01 in 353 adult and pediatric subjects, including a successful phase 2b study with a steroid-free, antibiotic-only formulation of OP-01 that performed similarly to standard of care.

In 2016, Novus stopped development of the first-generation, antibiotic-only OP-01 product and began development of a second-generation formulation of OP-01. The goal for this second-generation formulation is to produce a clinically differentiated product that rapidly relieves ear pain (an unmet need in AOE), and eradicates infection with less than seven days of treatment. If approved, we believe OP-01 will meaningfully improve the standard of care and may become a best-in-class treatment option for AOE. Subsequent to the completion of the Reverse Merger, the company paused the OP-01 development program and began focusing substantially all of its resources on the advancement of its surfactant program (OP-02) for middle ear disease.

OP-02 Surfactant Program

OP-02 is being developed as a potential first-in-class treatment option for patients at risk for or with otitis media ("OM") (middle ear inflammation with or without infection), which is often caused by Eustachian tube dysfunction ("ETD"). Globally, OM affects more than 700 million adults and children every year. OM is a common disorder seen in pediatric practice and in the United States is the most frequent reason children are prescribed antibiotics and undergo surgery. OP-02 is a daily nasal spray, designed to improve and maintain the Eustachian tube's ability to drain and ventilate the middle ear. The Company has not manufactured a current Good Manufacturing Procedures ("cGMP") batch of OP-02 suitable for clinical trials. Subject to successful completion of formulation development and manufacture of a cGMP batch, the Company expects to initiate a phase 1 clinical program in 2018 to explore the safety and tolerability of OP-02 in healthy subjects. The phase 1 program will evaluate single and repeated intranasal doses of OP-02. Upon completion of the phase 1 program Novus intends to initiate phase 2 and 3 studies of OP-02, with an initial focus on a development program that will lead to registration of OP-02 in North America and key European markets as a treatment to prevent acute OM, recurrent OM, and/or chronic OM in children. Additional development activities to support registration in other countries and/or for other OM disorders, or in other patient populations, may occur in the future.

RECENT DEVELOPMENTS

Reverse Merger

On December 21, 2016, Novus, formerly known as Tokai Pharmaceuticals, Inc. ("Tokai"), a Delaware corporation, and the shareholders of Otic (each a "Seller" and collectively, the "Sellers"), entered into a Share Purchase Agreement (the "Share Purchase Agreement"), pursuant to which, among other things, each Seller agreed to sell to Tokai, and Tokai agreed to purchase from each Seller, all of the common and preferred shares of Otic ("Otic Shares") owned by such Seller in exchange for the issuance of a certain number of shares of common stock of Tokai, as determined pursuant to the terms of the Share Purchase Agreement (the "Reverse Merger"). The parties amended and restated the Share Purchase Agreement on March 2, 2017.

On May 9, 2017, Tokai, Otic, and the Sellers closed the transaction contemplated by the Share Purchase Agreement, and subsequently effected a reverse stock split at a ratio of one-for-nine (see *Reverse Stock Split* below). On a post-split basis, Tokai issued to the Sellers an aggregate of 4,027,693 shares of Tokai's common stock in exchange for 836,857 Otic Shares. Following the completion of the Reverse Merger, the business being conducted by Tokai became primarily the business conducted by Otic Pharma. Subsequent to the Reverse Merger, the name of the surviving corporation was changed to "Novus Therapeutics, Inc."

Private Placement

On January 31, 2017, Novus entered into a stock purchase agreement (the "Stock Purchase Agreement") with certain purchasers named therein (the "Purchasers"), pursuant to which the Purchasers agreed to purchase approximately $4,000,000 of the Company's common stock through the purchase of 400,400 shares of the Company's common stock at a price of $9.99 per share. This transaction closed on May 10, 2017.

Reverse Stock Split

On May 11, 2017, Novus effected a reverse stock split of its issued and outstanding common stock and options for common stock at a ratio of one-for-nine. The Company filed an Amended and Restated Certificate of Incorporation with the Secretary of State of the State of Delaware effecting such reverse stock split. The accompanying condensed consolidated financial statements and notes give retroactive effect to the reverse stock split for all periods presented.

CRITICAL ACCOUNTING POLICIES AND SIGNIFICANT JUDGMENTS AND ESTIMATES

Our management's discussion and analysis of our financial condition and results of operations are based on our financial statements, which have been prepared in accordance with U.S. GAAP. The preparation of these financial statements require us to make estimates and judgments that affect the reported amount of assets, liabilities, and expenses and the disclosure of contingent assets and liabilities as of the date of the financial statements. On an ongoing basis, we evaluate our estimates and judgments. We base our estimates on historical experience, known trends and events, and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ materially from these estimates under different assumptions or conditions. There have been no significant and material changes in our critical accounting policies and significant judgments and estimates during the three and six months ended June 30, 2017, as compared to those disclosed in Exhibit 99.1 of our Current Report filed on Form 8-K/A filed on July 25, 2017, except as described below.

Business Combinations

Accounting for acquisitions requires extensive use of estimates and judgment to measure the fair value of the identifiable tangible and intangible assets acquired, including in-process research and development and liabilities assumed. Additionally, we must determine whether an acquired entity is considered a business or a set of net assets because the excess of the purchase price over the fair value of net assets acquired can only be recognized as goodwill in a business combination. We accounted for the merger with Tokai as a business combination under the acquisition method of accounting. Consideration paid to acquire Tokai was measured at fair value and included the exchange of Tokai's common stock. The allocation of the purchase price resulted in recognition of goodwill.

Goodwill

Goodwill represents the difference between the consideration transferred and the fair value of the net assets acquired under the acquisition method of accounting. Goodwill is not amortized but is evaluated for impairment during the last fiscal quarter of the year or if indicators of impairment exist that would, more likely than not, reduce the fair value from its carrying amount.

Significant management judgment is required in the forecasts of future operating results that are used in our impairment evaluation. The estimates we have used are consistent with the plans and estimates that we use to manage our business. It is possible, however, that the plans may change and estimates used may prove to be inaccurate. If our actual results, or the plans and estimates used in the future impairment analyses, are lower than the original estimates used to assess the recoverability of these assets, we could incur future impairment charges.

RESULTS OF OPERATIONS

Comparison of the Three Months Ended June 30, 2017 and 2016

The following table provides comparative unaudited results of operations for the three months ended June 30, 2017 and 2016 (in thousands):

	Three Months Ended June 30,			
	2017	2016	$ Variance	% Variance
Operating expenses:				
Research and Development	533	592	59	-10%
General and Administrative	6,133	340	5,793	1,704%
Total operating expenses	6,666	932	5,734	615%
Loss from operations	(6,666)	(932)	(5,734)	615%
Other income (expense), net	4	(70)	74	-106%
Net loss	$(6,662)	$(1,002)	(5,660)	565%

Research and Development Expenses

During the three months ended June 30, 2016, research and development expenses of $592,000 were comprised of expenses associated with the development of a second-generation formulation for OP-01 and development costs for OP-02. During the three months ended June 30, 2017, research and development expenses of $533,000 were primarily comprised of formulation development costs for OP-02 and development costs for Tokai's legacy programs. The decrease from period to period is primarily attributed to decreased spend towards OP-01 in 2017, offset by costs incurred for legacy programs. We expect research and development expenses to increase in subsequent periods as we advance our programs.

General and Administrative Expenses

General and administrative expenses increased in the 2017 period primarily due to recognition of $5.4 million of merger and public company related expenses, including severance costs for Tokai employees. We expect general and administrative expenses to decrease in subsequent periods as merger expenses decrease over time, partially offset by increased costs to operate as a public company.

Other Income (Expense), Net

The change in other income (expense), net was primarily related to foreign currency translation expense incurred in the three months ended June 2016.

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

The following table provides comparative unaudited results of operations for the six months ended June 30, 2017 and 2016 (in thousands):

	Six Months Ended June 30,			
	2017	2016	$ Variance	% Variance
Operating expenses:				
Research and Development	1,012	1,282	(270)	-21%
General and Administrative	7,039	762	6,277	824%
Total operating expenses	8,051	2,044	6,007	294%
Loss from operations	(8,051)	(2,044)	(5,878)	294%
Other income (expense), net	15	(61)	76	-125%
Net loss	$(8,036)	$(2,105)	(5,931)	282%

Research and Development Expenses

During the six months ended June 30, 2016, research and development expenses of $1.3 million were comprised of expenses associated with the development of a second-generation formulation for OP-01 and development costs for OP-02. During the six months ended June 30, 2017, research and development expenses of $1.0 million were primarily comprised of formulation development costs for OP-02 and development costs for Tokai's legacy programs. The decrease from period to period is primarily attributed to decreased spend towards OP-01 in 2017, offset by costs incurred for legacy programs. We expect research and development expenses to increase in subsequent periods as we advance our programs.

General and Administrative Expenses

General and administrative expenses increased in the 2017 period primarily due to the recognition of $7.0 million of merger and public company related expenses, including severance costs for Tokai employees. We expect general and administrative expenses to decrease in subsequent periods as merger expenses decrease over time, partially offset by increased costs to operate as a public company.

Other Income (Expense), Net

The change in other income (expense), net was primarily related to foreign currency translation expense incurred in the six months ended June 2016.

LIQUIDITY AND CAPITAL RESOURCES

As of June 30, 2017, we had cash and cash equivalents of $22.5 million. See Part 1, Item 3, *Quantitative and Qualitative Disclosures About Market Risk*, for a discussion of potential risks associated with our cash and cash equivalents. To date, our operations have been financed primarily by net proceeds from the sale of preferred and common stock, issuance of convertible promissory notes, and the Reverse Merger with Tokai. We believe our cash and cash equivalents will be sufficient to fund our operations for at least the next 12 months from the date of issuance of these financial statements.

On May 9, 2017, we completed our Reverse Merger with Tokai, which provided $23.3 million in cash and cash equivalents. Immediately following the Reverse Merger, we raised $4.0 million in aggregate gross proceeds from a private placement of our common stock.

Our primary uses of capital are, and we expect will continue to be, funding research efforts and the development of our product candidates, compensation and related expenses, hiring additional staff, including clinical, scientific, operational, financial, and management personnel, and costs associated with operating as a public company. We expect to incur substantial expenditures in the foreseeable future for the development and potential commercialization of our product candidates.

We plan to continue to fund losses from operations and capital funding needs through cash on hand and future equity or debt financings, as well as potential additional collaborations or strategic partnerships with other companies. The sale of additional equity or convertible debt could result in additional dilution to our stockholders. The incurrence of indebtedness would result in debt service obligations and could result in operating and financing covenants that would restrict our operations. We can provide no assurance that financing will be available in the amounts we need or on terms acceptable to us, if at all. If we are not able to secure adequate additional funding we may be forced to delay, make reductions in spending, extend payment terms with suppliers, liquidate assets where possible, or suspend or curtail planned programs. Any of these actions could materially harm our business.

Cash Flows

The following table provides a summary of our net cash flow activity (in thousands):

	Six Months Ended June 30,	
	2017	2016
Net cash used in operating activities	$ (8,913)	$(2,162)
Net cash provided by (used in) investing activities	23,258	(10)
Net cash provided by financing activities	7,119	—
Net increase (decrease) in cash, cash equivalents, and restricted cash	$21,464	$(2,172)

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

Net cash used in operating activities for the six months ended June 30, 2017 consisted primarily of our net loss of $8.0 million, partially offset by non-cash items consisting primarily of depreciation, loss on disposal of fixed assets, and stock-based compensation totaling $283,000. Additionally, cash used in operating expenses for the six months ended June 30, 2017 reflected a net decrease in cash from changes in operating assets and liabilities of $1.2 million, primarily due to an increase in our prepaid expenses.

Net cash used in operating activities for the six months ended June 30, 2016 consisted primarily of our net loss of $2.1 million, partially offset by non-cash items consisting of depreciation and stock-based compensation totaling $105,000. Additionally, cash used in operating expenses for the six months ended June 30, 2017 reflected a net decrease in cash from changes in net operating assets and liabilities of $162,000, primarily due to an increase in our accounts payable and accrued expenses; partially offset by decreases in prepaid expenses.

Net cash provided by investing activities for the six months ended June 30, 2017 consisted primarily of cash received from the merger of $23.3 million.

Net cash used in investing activities for the six months ended June 30, 2016 consisted of the purchase of property and equipment in the amount of $10,000.

Net cash provided by financing activities for the six months ended June 30, 2017 was comprised of $4.0 million in proceeds from the Stock Purchase Agreement for the purchase of 400,400 shares of Novus common stock and proceeds from the exercise of warrants in the amount of $3.1 million. There were no significant financing activities in the six months ended June 30, 2016.

CONTRACTUAL OBLIGATIONS AND COMMITMENTS

Contractual Arrangements

No material changes to contractual obligations and commitments occurred during the six months ended June 30, 2017.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements as defined in the rules and regulations of the SEC.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

Interest Rate Risk

Our cash and cash equivalents as of June 30, 2017 consisted of readily available cash in bank accounts. Our primary exposure to market risk is interest income sensitivity, which is affected by changes in the general level of U.S. interest rates. However, because of the short-term nature of the instruments in our portfolio, a sudden change in market interest rates would not be expected to have a material impact on Novus's financial condition or results of operations. We do not believe that our cash or cash equivalents has significant risk of default or illiquidity. While we believe our cash and cash equivalents are not subject to excessive risk, we cannot provide absolute assurance that in the future its investments will not be subject to adverse changes in market value. In addition, we maintain significant amounts of cash and cash equivalents at one or more financial institutions that are in excess of federally insured limits.

Item 4. Controls and Procedures.

Definition and limitations of disclosure controls

Our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act) are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed under the Exchange Act, such as this report, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures are also designed to ensure that such information is accumulated and communicated to our management, including the Chief Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management evaluates these controls and procedures on an ongoing basis.

There are inherent limitations to the effectiveness of any system of disclosure controls and procedures. These limitations include the possibility of human error, the circumvention or overriding of the controls and procedures and reasonable resource constraints. In addition, because we have designed our system of controls based on certain assumptions, which we believe are reasonable, about the likelihood of future events, our system of controls may not achieve its desired purpose under all possible future conditions. Accordingly, our disclosure controls and procedures provide reasonable assurance, but not absolute assurance, of achieving their objectives.

Evaluation of disclosure controls and procedures

Our Principal Executive Officer and our Principal Financial Officer, after evaluating the effectiveness of our disclosure controls and procedures, believe that as of the end of the period covered by this report, our disclosure controls and procedures were effective in providing the requisite reasonable assurance that material information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and is accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, as appropriate to allow timely decisions regarding the required disclosure.

Changes in internal control over financial reporting

There has been no change in our internal control over financial reporting identified in connection with our evaluation that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting other than changes to integrate the financial reporting processes of the business acquired in the Reverse Merger.

PART II – OTHER INFORMATION

Item 1. Legal Proceedings.

From time to time, we may be involved in other legal proceedings and subject to claims incident to the ordinary course of business. Although the results of such legal proceedings and claims cannot be predicted with certainty, we believe we are not currently a party to any legal proceedings, other than as set forth below, the outcome of which, if determined adversely to us, would individually or taken together have a material adverse effect on our business, operating results, cash flows, or financial position. Regardless of the outcome, such proceedings can have an adverse impact on us because of defense and settlement costs, diversion of resources and other factors, and there can be no assurances that favorable outcomes will be obtained.

Doshi Action.

On August 1, 2016, a purported stockholder of Tokai filed a putative class action lawsuit in the U.S. District Court for the Southern District of New York against Tokai, Jodie P. Morrison, and Lee H. Kalowski, entitled *Doshi v. Tokai Pharmaceuticals, Inc., et al.,* No. 1:16-cv-06106 ("Doshi Action"). The plaintiff sought to represent a class of purchasers of Tokai securities between June 24, 2015, and July 25, 2016, and alleges that, in violation of the Securities Exchange Act of 1934 ("Exchange Act") and Rule 10b-5 promulgated thereunder, defendants made false and misleading statements and omissions about Tokai's clinical trials for its drug candidate, galeterone. The lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. On October 3, 2016, the case was transferred to the U.S. District Court for the District of Massachusetts. A lead plaintiff has yet to be appointed.

Legal Proceedings Related to Tokai IPO

On September 22, 2014, Tokai completed the initial public offering of its common stock (the IPO"). Subsequent to the IPO, several lawsuits were filed against Tokai, Jodie Pope Morrison, Lee H. Kalowski, Seth L. Harrison, Timothy J. Barberich, David A. Kessler, Joseph A. Yanchik, III, and the underwriters of the IPO (collectively, the "IPO Defendants"). The lawsuits allege that, in violation of the Securities Act of 1933 ("Securities Act"), Tokai's registration statement for the IPO made false and misleading statements and omissions about Tokai's clinical trials for galeterone. Each lawsuit sought, among other things, unspecified compensatory damages, interest, costs, and attorneys' fees. Further details on each lawsuit are set forth below.

- Jackie888 Action. On August 19, 2016, a purported stockholder of Tokai filed a putative class action lawsuit in the Superior Court of the State of California, County of San Francisco, against the IPO defendants, entitled *Jackie888, Inc. v. Tokai Pharmaceuticals, Inc., et al.,* No. CGC-16-553796. The plaintiff sought to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO. On October 19, 2016, the defendants moved to dismiss or stay the action on grounds of forum non conveniens, and certain individual defendants moved to quash the plaintiff's summons for lack of personal jurisdiction. On February 27, 2017, the Superior Court entered an order granting defendants' motion to stay the lawsuit.
- Garbowski Action. On September 29, 2016, two purported stockholders of Tokai filed a putative class action lawsuit in the U.S. District Court for the District of Massachusetts against the IPO defendants, entitled *Garbowski, et al. v. Tokai Pharmaceuticals, Inc., et al.,* No. 1:16-cv-11963 ("Garbowski Action"). This lawsuit also alleges that the defendants and Tokai's registration statement for its IPO made false and misleading statements and omissions about Tokai's clinical trials for galeterone, in violation of the Securities Act, the Exchange Act, and Rule 10b-5. The plaintiffs sought to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO as well as a class of purchasers Tokai common stock between September 17, 2014, and July 25, 2016. A prospective lead plaintiff has filed a motion to consolidate the Doshi and Garbowski Actions for all purposes. A lead plaintiff has yet to be appointed.
- Wu Action. On December 5, 2016, a putative securities class action was filed in the Business Litigation Session of the Superior Court Department of the Suffolk County Trial Court, Massachusetts ("Massachusetts State Court") against the IPO defendants, entitled *Wu v. Tokai Pharmaceuticals, Inc., et al.,* 16-3725 BLS ("Wu Action"). The plaintiff seeks to represent a class of purchasers of Tokai common stock in or traceable to Tokai's IPO. On December 19, 2016, defendants removed the Wu Action to the U.S. District Court for the District of Massachusetts, where it was captioned *Wu v. Tokai Pharmaceuticals, Inc., et al.,* 16-cv-12550, and assigned to the same judge presiding over the Doshi and Garbowski Actions. On December 22, 2016, defendants filed a motion to consolidate the Wu Action with the Doshi and Garbowski Actions. On January 6, 2017, plaintiff filed a motion to remand the Wu Action to Massachusetts State Court.
- Angelos Action. On July 25, 2017, a purported stockholder of Tokai filed a putative class action lawsuit in the U.S. District Court for the District of Massachusetts against the IPO defendants, entitled *Peter B. Angelos v. Tokai Pharmaceuticals, Inc., et al.,* No. 1:17-cv-11365-MLW. The case has been assigned to the same judge presiding over the Doshi, Garbowski, and Wu Actions.

Legal Proceedings Related to Reverse Merger

In connection with the Reverse Merger, two putative securities class actions have been filed in the U.S. District Court for the District of Massachusetts against Tokai, Jodie P. Morrison, Seth L. Harrison, Stephen Buckley, Jr., Cheryl L. Cohen, David A. Kessler, and Joseph A. Yanchik, III. The two complaints are captioned as follows: *Bushansky v. Tokai Pharmaceuticals, Inc., et al.*, No. 1:17-cv-10621-DPW (filed April 11, 2017), and *Wilson v. Tokai Pharmaceuticals, Inc., et al.*, No. 1:17-cv-10645-DPW (filed April 14, 2017). Each lawsuit alleges that Tokai's definitive proxy statement on Schedule 14A filed with the SEC on April 7, 2017 (the "Definitive Proxy Statement") made false and misleading statements and omissions in connection with the Reverse Merger, in violation of the Exchange Act and Rule 14a-9, promulgated thereunder. Each plaintiff sought to represent a class of all persons and entities that owned Tokai common stock. Each lawsuit sought, among other things, preliminary and permanent injunctions of the Reverse Merger unless Tokai disclosed certain information requested by plaintiff, rescission and unspecified damages if the Reverse Merger is consummated, and attorneys' fees. These two actions are collectively referred to as the "Stockholder Litigation." On June 6, 2017, each of the plaintiffs in these two actions, the Stockholder Litigation, voluntarily dismissed the actions with prejudice as to Plaintiff only and without prejudice as to the putative class in the action.

Novus believes it has valid defenses with respect to each of the legal proceedings discussed above and intends to vigorously defend itself against the claims asserted in such proceedings. However, Novus is unable to predict the ultimate outcome of these actions, and, therefore cannot estimate its possible losses or ranges of losses, if any, or the materiality thereof. An unexpected unfavorable resolution of these matters in any reporting period may have a material adverse effect on Novus' results of operations and cash flows for that period.

Item 1A. Risk Factors.

See risk factors beginning on the next page.

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

Not applicable.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

None.

Item 5. Other Information.

Management Continuity Agreements

On August 7, 2017, we entered into Management Continuity Agreements with Gregory J. Flesher, the Company's President and Chief Executive Officer, and Jon S. Kuwahara, the Company's Senior Vice-President Finance & Administration (each a "Management Continuity Agreement," and, collectively, the "Management Continuity Agreements"). Each Management Continuity Agreement provides, among other things, that in the event the applicable executive officer is subject to an involuntary termination within 12 months following a change in control of the Company, the executive officer is entitled to receive: (i) acceleration of 100% of such officer's unvested Company equity-based awards; (ii) a lump sum severance payment equal to 1.5, in the case of Mr. Flesher, or 1.0, in the case of Mr. Kuwahara, multiplied by the sum of (x) the annual base salary which the officer was receiving immediately prior to the qualifying termination, plus (y) the larger of (1) the officer's annual target bonus or (2) the annual bonus earned by the officer for the year preceding the year of termination; (iii) a lump sum payment equal to a pro rata portion of such officer's target annual bonus amount for the year in which the qualifying termination occurs, and (iv) continuation of payment by the Company of the full cost of the health insurance benefits provided to such officer, and such officer's spouse and dependents, as applicable, immediately prior to the change in control through the earlier of the end of the 18-month period following the qualifying termination for Mr. Flesher and the 12-month period following the qualifying termination for Mr. Kuwahara or until such officer is no longer eligible for such benefits under applicable law.

The Management Continuity Agreements further provide, among other things, that in the event the applicable officer's employment is terminated by the Company other than for cause, death or disability or by him for good reason (in each case not in connection with a change in control), the officer will receive (i) severance payments for a period of 12 months after the date of termination, in the case of Mr. Flesher, or 9 months after the date of termination, in the case of Mr. Kuwahara, equal to the base salary which the officer was receiving immediately prior to the qualifying termination; and (ii) continuation of payment by the Company of the full cost of the health insurance benefits provided to such officer, and such officer's spouse and dependents, as applicable, immediately prior to the qualifying termination through the earlier of the end of the 12-month period following the qualifying termination for Mr. Flesher and the 9-month period following the qualifying termination for Mr. Kuwahara or until such officer is no longer eligible for such benefits under applicable law. The provisions of Mr. Flesher's Management Continuity Agreement relating to the benefits Mr. Flesher is entitled to receive upon an involuntary termination of his employment replace and supersede the related provisions of the Executive Employment Agreement between Mr. Flesher and Otic Pharma Inc., dated as of July 15, 2015. The provisions of Mr. Kuwahara's Management Continuity Agreement relating to the benefits Mr. Kuwahara is entitled to receive upon an involuntary termination of his employment replace and supersede the related provisions of the employment Offer Letter between Mr. Kuwahara and the Company, dated as of July 1, 2017.

The foregoing description of the terms of the Management Continuity Agreements is qualified in its entirety by reference to the provisions of the Management Continuity Agreements, which are filed as exhibits to this Quarterly Report on Form 10-Q.

Item 6. Exhibits.

The exhibits filed or furnished as part of this Quarterly Report on Form 10-Q are set forth on the Exhibit Index, which Exhibit Index is incorporated herein by reference.

Item 1A. Risk Factors.

Investing in our common stock involves a high degree of risk. You should consider carefully the risks described below, together with the other information included or incorporated by reference in our annual report on Form 10-K and subsequent reports filed with the Securities and Exchange Commission. If any of the following risks occur, our business, financial condition, results of operations and future growth prospects could be materially and adversely affected. In these circumstances, the market price of our common stock could decline.

Unless otherwise indicated, references to the terms the "combined company", "Novus", the "Company", "we", "our", and "us" refer to Otic Pharma, Ltd., and subsidiary ("Otic") prior to the consummation of the Reverse Merger, and Novus Therapeutics, Inc., upon the consummation of the Reverse Merger described herein. The term "Tokai" refers to the Tokai Pharmaceuticals, Inc., and its subsidiaries ("Tokai") prior to the Reverse Merger.

Risks Related to Our Operations

We have incurred significant operating losses since our inception and expect that we will continue to incur losses over the next several years and may never achieve or maintain profitability.

Since inception, Otic, the accounting acquirer in the Reverse Merger, has incurred significant operating losses. Otic's net loss was $5.7 million for the year ended December 31, 2016 and $4.2 million for the year ended December 31, 2015. As of December 31, 2016, Otic had an accumulated deficit of $14.4 million. Novus' net loss for the six months ended June 30, 2017 is $8.0 million and the Company has an accumulated deficit of $22.4 million.

We are focused primarily on developing OP-02 as a potential first-in-class treatment option for patients at risk for or with otitis media ("OM") (middle ear inflammation with or without infection). We have not manufactured a cGMP batch of OP-02 suitable for clinical trials. Subject to successful completion of formulation development and manufacture of a cGMP batch, we expect to initiate a phase 1 clinical program in 2018 to explore the safety and tolerability of OP-02 in healthy subjects. The phase 1 program will evaluate single and repeated intranasal doses of OP-02. Upon completion of the phase 1 program, Novus intends to initiate phase 2 studies of OP-02, with an initial focus on prevention of acute, recurrent, and chronic OM in children. We expect that it will be several years, if ever, before we have a product candidate ready for commercialization.

We expect to continue to incur significant expenses and increasing operating losses for the foreseeable future. The net losses that we incur may fluctuate significantly from quarter to quarter. We anticipate that our expenses will increase substantially if and as we:

- Continue formulation development of our product candidates;
- continue nonclinical and clinical development of our product candidates;
- seek to identify and acquire additional product candidates;
- acquire or in-license other products and technologies;
- enter into collaboration arrangements with regards to product discovery or development;
- develop manufacturing processes;
- seek marketing approvals for any of our product candidates that successfully complete clinical trials;
- establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;
- maintain, expand and protect our intellectual property portfolio;
- hire additional personnel;
- add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts; and
- operate as a public company.

To become and remain profitable, we must develop and eventually commercialize a product or products with significant market potential. This will require us to be successful in a range of challenging activities, including completing clinical trials of our product candidates, obtaining marketing approval for these product candidates and manufacturing, marketing and selling those products for which we obtain marketing approval. We may never succeed in these activities and, even if we do, may never generate revenues that are significant or large enough to achieve profitability. If we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of the Company and could impair our ability to raise capital, maintain our nonclinical and clinical development efforts, expand our business or continue our operations and may require us to raise additional capital that may dilute the ownership interest of common stockholders. A decline in the value of the Company could also cause stockholders to lose all or part of their investment.

Our short operating history may make it difficult to evaluate the success of our business to date and to assess our future viability.

We are an early development stage pharmaceutical company. Our ongoing operations to date have been limited to organizing and staffing the Company, business planning, raising capital, acquiring and developing technology, identifying potential product candidates, undertaking nonclinical studies, and early stage clinical studies of our most advanced product candidate, OP-01, for which we are undertaking additional reformulation work and preparing to repeat early-stage clinical development and studies. Additional operations related to our other technology, OP-02, includes arranging for a third party to manufacture material using current Good Manufacturing Procedures ("cGMP") and preparing for phase 1 clinical studies. We have not yet demonstrated our ability to successfully complete large-scale, pivotal clinical trials, obtain marketing approvals, manufacture a commercial scale product or arrange for a third party to do so on our behalf, or conduct sales and marketing activities necessary for successful product commercialization. It can take many years to develop a new medicine from the time it is discovered to when it is available for treating patients. Consequently, any predictions made about our future success or viability based on our short operating history to date may not be as accurate as they could be if we had a longer operating history.

In addition, as an early stage business, we may encounter unforeseen expenses, difficulties, complications, delays and other known and unknown factors. To successfully market any of our product candidates, we will need to transition from a company with a clinical development focus to a company capable of supporting commercial activities. We may not be successful in such a transition.

We are early in our development efforts and have only two drug candidates, OP-01 and OP-02. If we are unable to successfully develop and commercialize OP-01 or OP-02, or if we experience significant delays in doing so, our business will be materially harmed.

We currently do not have any products that have gained regulatory approval. We have invested substantially all of our efforts and financial resources in product development, including funding our formulation development, nonclinical, and clinical studies. Our ability to generate product revenues, which we do not expect will occur for several years, if ever, will depend heavily on the successful development and eventual commercialization of OP-01, OP-02 and additional product candidates. As a result, our business is substantially dependent on our ability to complete the development of and obtain regulatory approval for OP-01 and OP-02.

We 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 pharmaceutical area. For example, to execute our business plan, we will need to successfully:

- execute OP-01 and OP-02 formulation, clinical, and nonclinical development activities;
- in-license or acquire other product candidates and advance them through clinical development;
- obtain required regulatory approvals for the development and commercialization of OP-01, OP-02 or other product candidates;
- maintain, leverage and expand our intellectual property portfolio;
- build and maintain robust sales, distribution and marketing capabilities, either on our own or in collaboration with strategic partners;
- gain market acceptance for OP-01, OP-02 and other product candidates;
- obtain and maintain adequate product pricing and reimbursement;
- develop and maintain any strategic relationships we elect to enter into; and
- manage our spending as costs and expenses increase due to product manufacturing, nonclinical development, clinical trials, regulatory approvals, post-marketing commitments, and commercialization.

If we are unsuccessful in accomplishing these objectives, we may not be able to successfully develop and commercialize OP-01, OP-02 or other product candidates, and our business will suffer.

Drug development involves a lengthy and expensive process, with an uncertain outcome including failure to demonstrate safety and efficacy to the satisfaction of the FDA or similar regulatory authorities outside the United States. We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the formulation and commercialization of our product candidates.

Reformulation work for OP-01 to explore adding a second active ingredient (anesthetic) to address immediate relief of ear pain associated with Acute Otitis Externa (infection/inflammation of the outer ear canal) commenced in 2016, but was subsequently put on hold until further funding is obtained. At such time as when we recommence development of OP-01, additional clinical studies with the new OP-01 combination formulation (antibiotic + anesthetic) will need to be conducted. There is a risk that additional nonclinical and/or clinical safety studies will be required by the FDA or similar regulatory authorities outside the United States and/or that subsequent studies will not match results seen in prior studies. We have not manufactured a cGMP batch of OP-02 suitable for clinical trials. Subject to successful completion of formulation development and manufacture of a cGMP batch, we expect to initiate a phase 1 clinical program in 2018 to explore the safety and tolerability of OP-02 in healthy subjects. Given the early stage of development for both products, the risk of failure for both of our product candidates is high. Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, we must complete formulation development for our products, conduct nonclinical trials, and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Formulation development, nonclinical and clinical testing are all expensive activities, difficult to design and implement, and can take years to complete. The outcome of nonclinical and clinical trials are inherently uncertain. Failure can occur at any time during the development program, including during the clinical trial process. Further, the results of nonclinical studies and early clinical trials of our product candidates, as well as earlier generation formulations may not be predictive of the results of later-stage clinical trials. Interim results of a clinical trial do not necessarily predict final results. For instance, the results of our studies with earlier generation formulations of OP-01 may not be predictive of the results of studies conducted with a different formulation of OP-01. Moreover, nonclinical and clinical data are often susceptible to varying interpretations and analyses, and many companies that have believed their product candidates performed satisfactorily in nonclinical and clinical trials have nonetheless failed to obtain marketing approval of their products. It is impossible to predict when or if any of our product candidates will prove effective and safe in humans, or will receive regulatory approval.

We may experience delays in our clinical trials, and we do not know whether planned clinical trials will begin or enroll subjects on time, need to be redesigned or be completed on schedule, if at all. There can be no assurance that the European Medicines Agency (the "EMA"), the Medicines & Healthcare Products Regulatory Agency (the "MHRA"), the UK regulatory authority, or the FDA will not put any of our product candidates on clinical hold in the future. We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent our ability to receive marketing approval or commercialize our product candidates. Clinical trials may be delayed, suspended or prematurely terminated for a variety of reasons, such as:

- delay or failure in reaching agreement with the EMA, MHRA, FDA or a comparable foreign regulatory authority on a trial design that we want to execute;
- delay or failure in obtaining authorization to commence a trial or inability to comply with conditions imposed by a regulatory authority regarding the scope or design of a clinical study;
- delays in reaching, or failure to reach, agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- delays in completing formulation work for OP-01 and OP-02 as a prerequisite to commencing clinical work on this program;
- inability, delay, or failure in identifying and maintaining a sufficient number of trial sites, many of which may already be engaged in other clinical programs;
- delay or failure in recruiting and enrolling suitable subjects to participate in a trial;
- delay or failure in having subjects complete a trial or return for post-treatment follow-up;
- clinical sites and investigators deviating from trial protocol, failing to conduct the trial in accordance with regulatory requirements, or dropping out of a trial, including the possibility we could learn of additional subjects who were exposed by predecessor IND sponsors to investigational drugs outside of clinical protocols;
- lack of adequate funding to continue the clinical trial, including the incurrence of unforeseen costs due to enrollment delays, requirements to conduct additional clinical studies and increased expenses associated with the services of our contract research organizations ("CROs") and other third parties;
- clinical trials of our product candidates may produce negative or inconclusive results, and we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, enrollment in these clinical trials may be slower than we anticipate, or participants may drop out of these clinical trials at a higher rate than we anticipate;
- we may experience delays or difficulties in the enrollment of patients that our product candidates are designed to target;
- our third-party contractors may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner, or at all;
- we may have difficulty partnering with experienced CROs and study sites that can identify patients that our product candidates are designed to target and run our clinical trials effectively;
- regulators or institutional review boards ("IRBs") may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or a finding that the participants are being exposed to unacceptable health risks;
- the cost of clinical trials of our product candidates may be greater than we anticipate;
- the supply or quality of our product candidates or other materials necessary to conduct clinical trials of our product candidates may be insufficient or inadequate; or
- there may be changes in governmental regulations or administrative actions.

If we are required to conduct additional clinical trials or other testing of our product candidates beyond those that we currently contemplate, if we are unable to successfully complete clinical trials of our product candidates or other testing, if the results of these trials or tests are not positive or are only modestly positive, or if there are safety concerns, we may:

- be delayed in obtaining marketing approval for our product candidates;
- not obtain marketing approval at all;
- obtain approval for indications or patient populations that are not as broad as intended or desired;

- obtain approval with labeling that includes significant use or distribution restrictions or safety warnings that would reduce the potential market for our products or inhibit our ability to successfully commercialize our products;
- be subject to additional post-marketing restrictions and/or testing requirements; or
- have the product removed from the market after obtaining marketing approval.

Our product development costs will also increase if we experience delays in testing or marketing approvals. We do not know whether any of our nonclinical studies or clinical trials will need to be restructured or will be completed on schedule, or at all. Significant nonclinical or clinical trial delays also could shorten any periods during which we may have the exclusive right to commercialize our product candidates or allow our competitors to bring products to market before we do and impair our ability to successfully commercialize our product candidates and may harm our business and results of operations.

If we experience delays or difficulties in the enrollment of patients in clinical trials, our receipt of necessary regulatory approvals could be delayed or prevented and expenses for development of our product candidates could increase.

We may not be able to initiate or continue clinical trials for our product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in these trials to demonstrate safety and efficacy. We have yet to initiate the first clinical studies of OP-02 and plan to reformulate and initiate the clinical studies of OP-01 in the future, and we do not know whether the planned or ongoing clinical trials will enroll subjects in a timely fashion, require redesign of essential trial elements or be completed on its projected schedule. In addition, competitors may have ongoing clinical trials for product candidates that treat related or the same indications as our product candidates, and patients who would otherwise be eligible for our clinical trials may instead enroll in clinical trials of our competitors' product candidates. 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.

Patient enrollment is affected by other factors including:

- the eligibility criteria for the study in question;
- the perceived risks and benefits of the product candidate under study;
- the efforts to facilitate timely enrollment in clinical trials;
- the inability to identify and maintain a sufficient number of trial sites, many of which may already be engaged in other clinical trial programs, including some that may be for the same disease indication;
- the patient referral practices of physicians;
- the proximity and availability of clinical trial sites for prospective patients;
- ambiguous or negative interim results of our clinical trials, or results that are inconsistent with earlier results;
- feedback from regulatory authorities, IRBs, ethics committees ("ECs"), or data safety monitoring boards, or results from earlier stage or concurrent nonclinical and clinical studies, that might require modifications to the protocol;
- decisions by regulatory authorities, IRBs, ECs, or the Company, or recommendations by data safety monitoring boards, to suspend or terminate clinical trials at any time for safety issues or for any other reason; and
- unacceptable risk-benefit profile or unforeseen safety issues or adverse effects.

Enrollment delays in our clinical trials may result in increased development costs for our product candidates, which would cause the value of the Company to decline and limit our ability to obtain additional financing.

If serious adverse events or unacceptable side effects are identified during the development of our product candidates, we may need to abandon or limit our development of some of our product candidates.

If our product candidates are associated with undesirable effects in nonclinical or clinical trials or have characteristics that are unexpected, we may need to interrupt, delay or abandon their development or limit development to more narrow uses or subpopulations in which the undesirable side effects or other characteristics are less prevalent, less severe or more acceptable from a risk-benefit perspective. OP-01 and OP-02 are early clinical phase product candidates, and the side effect profile in humans has not been fully established. Currently unknown, drug-related side effects may be identified through further clinical studies and, as such, these possible drug-related side effects could affect patient recruitment, the ability of enrolled subjects to complete the trial, or result in potential product liability claims. Although the one reported serious adverse event in the Phase 2 study of OP-01 was determined not to be drug related, other adverse events may arise and the occurrence of adverse events, whatever the cause, may impact the conduct of future OP-01 clinical studies. To date, OP-02 has not been evaluated in any human clinical studies. Any occurrences of clinically significant adverse events may harm our business, financial condition and prospects significantly.

Risks Related to Our Financial Position and Need for Additional Capital

We will need substantial additional funding. If we are unable to raise capital when needed, we would be compelled to delay, reduce or eliminate our product development programs or commercialization efforts.

We expect our expenses to increase in parallel with our ongoing activities, particularly as we continue our nonclinical and clinical development, identify new clinical candidates and initiate clinical trials of, and seek marketing approval for, our product candidates. In addition, if we obtain marketing approval for any of our product candidates, we expect to incur significant commercialization expenses related to product sales, marketing, manufacturing and distribution. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce or eliminate our nonclinical and clinical development programs or any future commercialization efforts.

Based upon current operating plans, we expect our current working capital will be sufficient to fund our operations for at least the next 12 months. We will require additional capital to complete the development and commercialization of OP-01 and OP-02, if approved, and may also need to raise additional funds to pursue other development activities related to additional product candidates. Our funding needs may fluctuate significantly based on a number of factors, such as:

- the scope, progress, results and costs of formulation development and manufacture of drug product to support nonclinical and clinical development of our product candidates;
- the extent to which we enter into additional collaboration arrangements regarding product discovery or development, or acquire or in-license products or technologies;
- our ability to establish additional collaborations with favorable terms, if at all;
- the costs, timing and outcome of regulatory review of our product candidates;
- the costs of future commercialization activities, including product sales, marketing, manufacturing and distribution, for any of our product candidates for which we receive marketing approval;
- revenue, if any, received from commercial sales of our product candidates, should any of our product candidates receive marketing approval; and
- the costs of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending intellectual property-related claims.

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

Raising additional capital may cause dilution to our stockholders, restrict our operations or require us to relinquish rights to our technologies or product candidates.

Until such time, if ever, as we can generate substantial product revenues, we expect to finance our cash needs through a combination of equity offerings and debt financings. We do not have any committed external source of funds. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of common stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of common stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

We cannot be certain that additional funding will be available on acceptable terms, or at all. If we are unable to raise additional funds when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts.

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

If existing stockholders of the Company sell, or indicate an intention to sell, substantial amounts of the Company's common stock in the public market after the Reverse Merger lock-up period and other legal restrictions on resale lapse, the trading price of the common stock of the combined company could decline. At June 30, 2017, the Company had approximately 6.9 million shares outstanding.

The Share Purchase Agreement by and among Tokai, Otic, and shareholders of Otic contains a lock-up covenant from the Otic shareholders, which provides that for 180 days following the closing of the Reverse Merger (November 5, 2017), no Otic shareholder shall offer, sell, or otherwise dispose of, directly or indirectly, any securities of the Company, or otherwise enter into a transaction that would have similar effect. Assuming a registration statement covering the resale of the shares of Company common stock issuable in connection with the Equity Financing is in effect, up to an additional approximately 400,400 shares of common stock will be eligible for sale in the public market, including shares issued in connection with the Equity Financing. Further, shares held by directors, executive officers of the Company and other affiliates will be eligible for sale in the public market, subject to volume limitations under Rule 144 under the Securities Act, after November 5, 2017.

Because the Reverse Merger resulted in an ownership change under Section 382 of the Internal Revenue Code, for Tokai, Tokai's pre-merger net operating loss carryforwards and certain other tax attributes may be subject to limitations. The net operating loss carryforwards and other tax attributes of Otic and of the post-merger Company may also be subject to limitations as a result of ownership changes.

If a corporation undergoes an "ownership change" within the meaning of Section 382 of the Code, the corporation's net operating loss carryforwards and certain other tax attributes arising from before the ownership change are subject to limitations on use after the ownership change. In general, an ownership change occurs if there is a cumulative change in the corporation's equity ownership by certain stockholders that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. The Reverse Merger resulted in an ownership change for Tokai and, accordingly, Tokai's net operating loss carryforwards and certain other tax attributes may be subject to limitations (or disallowance) on their use after the Reverse Merger. Otic's net operating loss carryforwards may also be subject to limitation as a result of prior shifts in equity ownership and/or the transaction. Additional ownership changes in the future could result in additional limitations on Tokai's, Otic's and the post-merger Company's net operating loss carryforwards. Consequently, even if the Company achieves profitability, it may not be able to utilize a material portion of Tokai's, Otic's, or the post-merger Company's net operating loss carryforwards and other tax attributes, which could have a material adverse effect on cash flow and results of operations.

The failure to integrate successfully the businesses of Otic and Tokai in the expected timeframe could adversely affect the future results of the Company.

Our success will depend, in large part, on our ability to realize the anticipated benefits from combining the businesses of Tokai and Otic. The continued operation of the two companies will be complex.

The failure to integrate successfully and to manage successfully the challenges presented by the integration process may result in our failure to achieve some or all of the anticipated benefits of the Reverse Merger.

Potential difficulties that may be encountered in the integration process include the following:

- using the combined company's cash and other assets efficiently to develop the business of Otic;
- appropriately managing the liabilities of the combined company;
- potential unknown or currently unquantifiable liabilities associated with the Reverse Merger and the operations of the combined company;
- potential unknown and unforeseen expenses or regulatory conditions associated with the Reverse Merger; and
- performance shortfalls as a result of the diversion of management's attention caused by integrating the companies' operations.

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

If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals, or the approvals may be for a narrow indication, we may not be able to commercialize our product candidates, and our ability to generate revenue may be materially impaired.

Our product candidates must be approved by the FDA pursuant to a new drug application in the United States and by other regulatory authorities outside the United States prior to commercialization. The process of obtaining marketing approvals, both in the United States and outside the United States, is expensive and takes several years, if approval is obtained at all, and can vary substantially based upon a variety of factors, including the type, complexity and novelty of the product candidates involved. Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. We have not received approval to market any of our product candidates from regulatory authorities in any country. We have no experience in filing and supporting the applications necessary to gain marketing approvals for ear, nose, or throat (ENT) products and may engage third-party consultants to assist in this process. Securing marketing approval requires the submission of extensive nonclinical and clinical data, and other supporting information to regulatory authorities for each therapeutic indication to establish the product candidate's safety and efficacy. Securing marketing approval also requires the submission of information about the product formulation and manufacturing process to, and inspection of manufacturing facilities by, the regulatory authorities. Our product candidates may not be effective, may be only moderately effective or may prove to have undesirable or unintended side effects, toxicities or other characteristics that may preclude our obtaining marketing approval or prevent or limit commercial use. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data are insufficient for approval and require additional nonclinical, clinical or other data. In addition, varying interpretations of the data obtained from nonclinical and clinical studies could delay, limit or prevent marketing approval of a product candidate. Changes in marketing approval policies during the development period, changes in or the enactment of additional statutes or regulations, or changes in regulatory review for each submitted product application, may also cause delays in or prevent the approval of an application.

Any marketing approval we ultimately obtain may be for fewer or more limited indications than requested or subject to restrictions or post-approval commitments that render the approved product not commercially viable or its market potential significantly impaired. In addition, regulatory agencies may not approve the labeling claims that are necessary or desirable for the successful commercialization of our product candidates.

If we experience delays in obtaining approval or if we fail to obtain approval of our product candidates, the commercial prospects for our product candidates may be harmed and our ability to generate revenues will be materially impaired.

Failure to obtain marketing approval in international jurisdictions would prevent our product candidates from being marketed outside the United States.

In order to market and sell our products in the European Union and other international jurisdictions outside of the United States, we or our third-party collaborators must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and may require additional nonclinical, clinical or health outcome data. In addition, the time required to obtain approval may differ substantially amongst international jurisdictions . The regulatory approval process outside the United States generally includes all the risks associated with obtaining FDA approval. In addition to regulatory approval, in many countries 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. We or these third parties may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the EMA, MHRA, or FDA does not ensure approval by regulatory authorities in other countries or jurisdictions, and approval by one regulatory authority outside the United States does not ensure approval by regulatory authorities in other countries or jurisdictions or by the FDA. We may not be able to file for marketing approvals and may not receive necessary approvals to commercialize our products in any market.

Any product candidate for which we obtain marketing approval will be subject to extensive post-marketing regulatory requirements and could be subject to post-marketing restrictions or withdrawal from the market, and we may be subject to penalties if we fail to comply with regulatory requirements or if we experience unanticipated problems with our products, when and if any of them are approved.

Our product candidates and the activities associated with their development and commercialization, including their testing, manufacture, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation that are specific to those defined by regulatory authorities in the countries where the product is approved. In the United States and other countries that follow the International Conference on Harmonization (ICH), these requirements include submissions of safety and other post-marketing information and reports, registration and listing requirements, cGMP requirements relating to manufacturing, quality control, quality assurance and corresponding maintenance of records and documents, including periodic inspections by the FDA and other regulatory authorities, requirements regarding the distribution of samples to physicians and recordkeeping.

The FDA, or other regulatory authorities, may also impose requirements for costly post-marketing studies or clinical trials and surveillance to monitor the safety or efficacy of the product. The FDA closely regulates the post-approval marketing and promotion of drugs to ensure drugs are marketed only for the approved indications and in accordance with the provisions of the approved labeling. The FDA imposes stringent restrictions on manufacturers' communications regarding use of their products and if we promote our products beyond their approved indications, we may be subject to enforcement action for off-label promotion. Violations of the Federal Food, Drug, and Cosmetic Act relating to the promotion of prescription drugs may lead to investigations alleging violations of federal and state health care fraud and abuse laws, as well as state consumer protection laws.

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

- restrictions on such products, manufacturers or manufacturing processes;
- restrictions on the labeling or marketing of a product;
- restrictions on product distribution or use;
- requirements to conduct post-marketing studies or clinical trials;
- warning or untitled letters;
- withdrawal of the products from the market;
- refusal to approve pending applications or supplements to approved applications that we submit;
- recall of products;
- fines, restitution or disgorgement of profits or revenues;
- suspension or withdrawal of marketing approvals;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

Non-compliance with European Union requirements regarding safety monitoring or pharmacovigilance, and with requirements related to the development of products for the pediatric population, can also result in significant financial penalties. Similarly, failure to comply with the European Union's requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

Recently enacted and future legislation may increase the difficulty and cost for us to obtain marketing approval of and commercialize our product candidates and affect the prices we may obtain.

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

For example, in 2010, President Obama signed into law the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act (collectively, the "PPACA"). Among the provisions of the PPACA of importance to our potential product candidates are the following:

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

In addition, other legislative changes have been proposed and adopted since the PPACA was enacted. These changes included aggregate reductions to Medicare payments to providers of up to 2% per fiscal year, starting in 2013. In January 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, reduced Medicare payments to several providers, and increased the statute of limitations period for the government to recover overpayments to providers from three to five years. Further, with the new Trump administration there may be additional regulatory changes, as well as the potential repeal (in whole or in part) of the PPACA, that could negatively affect insurance coverage and/or drug prices. Any such new laws may result in additional reductions in Medicare and other healthcare funding.

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

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

Laws, restrictions, and other regulatory measures are also imposed by healthcare laws and regulations in international jurisdictions and in those jurisdictions we face the same issues as in the United State regarding difficulty and cost for us to obtain marketing approval and commercialization of our product candidates and which may affect the prices we may obtain.

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

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

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

Healthcare providers, physicians and third-party payers play a primary role in the recommendation and prescription of any product candidates for which we receive marketing approval. Our future arrangements with third-party payers and customers may expose us to broadly applicable fraud and abuse and other healthcare laws and regulations that may constrain the business or financial arrangements and relationships through which we market, sell and distribute the products for which we receive marketing approval. Restrictions under applicable federal and state healthcare laws and regulations include the following:

- the federal healthcare anti-kickback statute prohibits, among other things, persons from knowingly and willfully soliciting, offering, receiving or providing remuneration, directly or indirectly, in cash or in kind, to induce or reward either the referral of an individual for, or the purchase, order or recommendation of, any good or service, for which payment may be made under federal and state healthcare programs such as Medicare and Medicaid;
- the federal False Claims Act imposes civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for knowingly presenting, or causing to be presented, to the federal government, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;
- the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, imposes criminal and civil liability for executing a scheme to defraud any healthcare benefit program and also imposes obligations, including mandatory contractual terms, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;
- the federal false statements statute prohibits knowingly and willfully falsifying, concealing or covering up a material fact or making any materially false statement in connection with the delivery of or payment for healthcare benefits, items or services;
- the federal transparency requirements under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act of 2010, require manufacturers of covered drugs, devices, biologics and medical supplies to report to the Department of Health and Human Services information related to physician payments and other transfers of value and physician ownership and investment interests; and
- analogous state laws and regulations, such as state anti-kickback and false claims laws, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payers, including private insurers, and some state laws require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the relevant compliance guidance promulgated by the federal government in addition to requiring drug manufacturers to report information related to payments to physicians and other health care providers or marketing expenditures.

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

Efforts to ensure that our business arrangements with third parties will comply with applicable healthcare laws and regulations will involve substantial costs. It is possible that governmental authorities will conclude that our business practices may not comply with current or future statutes, regulations or case law involving applicable fraud and abuse or other healthcare laws and regulations. If our operations are found to be in violation of any of these laws or any other governmental regulations that may apply to us, we may be subject to significant civil, criminal and administrative penalties, damages, fines, exclusion from government funded healthcare programs, such as Medicare and Medicaid, and the curtailment or restructuring of our operations. If any of the physicians or other providers or entities with whom we expect to do business are found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Laws, restrictions, and other regulatory measures are also imposed by anti-kickback, fraud and abuse, and other healthcare laws and regulations in international jurisdictions and in those jurisdictions we face the same issues as in the United State regarding exposure to criminal sanctions, civil penalties, program exclusion, contractual damages, reputational harm, and diminished profits and future earnings.

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

We may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our nonclinical or clinical development or production efforts. Our failure to comply with these laws and regulations also may result in substantial fines, penalties or other sanctions.

Risks Related to the Commercialization of Our Product Candidates

Even if any of our product candidates receives marketing approval, we may fail to achieve the degree of market acceptance by physicians, patients, third-party payers and others in the medical community necessary for commercial success.

If any of our product candidates receives marketing approval, we may nonetheless fail to gain sufficient market acceptance by physicians, patients, third-party payers and others in the medical community. In addition, physicians, patients and third-party payers may prefer other novel products to ours. If our product candidates do not achieve an adequate level of acceptance, we may not generate significant product revenues and we may not become profitable. The degree of market acceptance of our product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and safety and potential advantages and disadvantages compared to alternative treatments;
- the ability to offer our products for sale at competitive prices;
- the convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try new therapies and of physicians to prescribe these therapies;
- the strength of our marketing and distribution support;
- the availability of third-party coverage and adequate reimbursement, including patient cost-sharing programs such as copays and deductibles;
- the ability to develop or partner with third-party collaborators to develop companion diagnostics;
- the prevalence and severity of any side effects; and
- any restrictions on the use of our products together with other medications.

If OP-01, OP-02, or a future product candidate receives marketing approval and we, or others, later discover that the product is less effective than previously believed or causes undesirable side effects that were not previously identified, the ability to market the product could be compromised.

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

- regulatory authorities may withdraw their approval of the product or seize the product;
- the product may be required to be recalled or changes may be required to the way the product is administered;
- additional restrictions may be imposed on the marketing of, or the manufacturing processes for, the product;
- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication;
- the creation of a Medication Guide outlining the risks of the previously unidentified side effects for distribution to patients;
- additional restrictions may be imposed on the distribution or use of the product via a Risk Evaluation and Mitigation Strategy;
- we could be sued and held liable for harm caused to patients;
- the product may become less competitive; and
- our reputation may suffer.

Any of these events could have a material and adverse effect on our operations and business. The commercial prospects for our product candidates may be harmed and our ability to generate revenues will be materially impaired.

We currently have no 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 product candidates, we may not be able to effectively market and sell our product candidates, if approved, or generate product revenues.

We currently do not have a marketing or sales team for the marketing, sales and distribution of any of our product candidates that are able to obtain regulatory approval. In order to commercialize any product 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. If our product candidates receive regulatory approval, we intend to establish an internal sales and marketing team with technical expertise and supporting distribution capabilities to

commercialize our product candidates, which will be expensive and time-consuming and will require significant attention of our executive officers to manage. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of any of our products that we obtain approval to market. With respect to the commercialization of all or certain of our product 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 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 product candidates that receive regulatory approval or any such commercialization may experience delays or limitations. If we are not successful in commercializing our product candidates, either on our own or through collaborations with one or more third parties, our future product revenue will suffer and we may incur significant additional losses.

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

The development and commercialization of new drug products is highly competitive. We face competition with respect to our current product candidates, and will face competition with respect to any product candidates that we may seek to develop or commercialize in the future, from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide. There are a number of large pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of products for the treatment of the disease indications for which we are developing our product candidates. Some of these competitive products and therapies are based on scientific approaches that are the same as or similar to our approach, and others are based on entirely different approaches. Potential competitors also include academic institutions, government agencies and other public and private research organizations that conduct research, seek patent protection and establish collaborative arrangements for research, development, manufacturing and commercialization.

Specifically, there are a number of companies developing or marketing treatments for AOE, including many major pharmaceutical and biotechnology companies. We expect that OP-01 will face competition from numerous FDA-approved therapeutics, including CIPRODEX® and numerous other branded and generic ear anti-infectives.

In OM, there are currently no drug therapies approved to prevent OM. We expect that OP-02 will compete primarily with a surgery where the tympanic membrane is perforated to improve drainage and ventilation of the middle ear (myringotomy or tympanostomy tube insertions) as a means of preventing recurrent or chronic OM. We may also compete with a medical device product primarily that uses a small intranasal balloon inserted into the Eustachian tube to facilitate ventilation of the Eustachian tube in patients with Eustachian tube dysfunction of a particular type. Surgery may continue to be the preferred treatment for preventing recurrent or chronic OM in children whereas the intranasal balloon may be the preferred treatment for preventing recurrent or chronic OM in adults. Neither of these competing products are used to prevent acute OM. Patients may be prescribed concurrent antibiotic therapy for acute OM, but these products will not be competitive with, but likely used in conjunction with OP-02.

Our commercial opportunity could be reduced or eliminated if our competitors develop and commercialize products that are safer, more effective, have fewer or less severe side effects, are more convenient or are less expensive than any products that we may develop. In addition, our ability to compete may be affected in many cases by insurers or other third-party payers seeking to encourage the use of generic products.

Generic products are currently available, with additional products expected to become available over the coming years, potentially creating pricing pressure. If our product candidates achieve marketing approval, we expect that they will be priced at a significant premium over competitive generic products.

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

The insurance coverage and reimbursement status of newly approved products is uncertain. Failure to obtain or maintain adequate coverage and reimbursement for new or current products could limit our ability to market those products and decrease our ability to generate revenue.

The availability and extent of reimbursement by governmental and private payers is essential for most patients to be able to afford expensive treatments. Sales of our product candidates will depend substantially, both domestically and internationally, on the extent to which the costs of our product candidates will be paid by health maintenance, managed care, pharmacy benefit and similar

healthcare management organizations, or reimbursed by government health administration authorities, private health coverage insurers and other third-party payers. If reimbursement is not available, or is available only to limited levels, we may not be able to successfully commercialize our product candidates. Even if coverage is provided, the approved reimbursement amount may not be high enough to allow us to establish or maintain pricing sufficient to realize a sufficient return on our investment.

There is significant uncertainty related to the insurance coverage and reimbursement of newly approved products. In the United States, the principal decisions about reimbursement for new medicines are typically made by the Centers for Medicare & Medicaid Services ("CMS"), an agency within the U.S. Department of Health and Human Services, as CMS decides whether and to what extent a new medicine will be covered and reimbursed under Medicare. Private payers tend to follow CMS to a substantial degree. It is difficult to predict what CMS will decide with respect to reimbursement for fundamentally novel products such as ours, as there is no body of established practices and precedents for these new products. Reimbursement agencies in Europe may be more conservative than CMS. Outside the United States, international operations are generally subject to extensive governmental price controls and other market regulations, and we believe the increasing emphasis on cost-containment initiatives in Europe, Canada, and other countries has and will continue to put pressure on the pricing and usage of our product candidates. In many countries, the prices of medical products are subject to varying price control mechanisms as part of national health systems. In general, the prices of medicines under such systems are substantially lower than in the United States. Other countries allow companies to fix their own prices for medicines, but monitor and control company profits. Additional foreign price controls or other changes in pricing regulation could restrict the amount that we are able to charge for our product candidates. Accordingly, in markets outside the United States, the reimbursement for our products may be reduced compared with the United States and may be insufficient to generate commercially reasonable revenues and profits.

Moreover, increasing efforts by governmental and third-party payers, in the United States and internationally, to cap or reduce healthcare costs may cause such organizations to limit both coverage and level of reimbursement for new products approved and, as a result, they may not cover or provide adequate payment for our product candidates. Increased expense is incurred to cover costs of health outcome focused research used to generate data necessary to justify the value of our products in order to secure reimbursement. We expect to experience pricing pressures in connection with the sale of any of our product candidates, due to the trend toward managed healthcare, the increasing influence of health maintenance organizations and additional legislative changes. The downward pressure on healthcare costs in general, particularly prescription drugs and surgical procedures and other treatments, has become very intense. As a result, increasingly high barriers are being erected to the entry of new products into the healthcare market.

In addition, many private payers contract with commercial vendors who sell software that provide guidelines that attempt to limit utilization of, and therefore reimbursement for, certain products deemed to provide limited benefit to existing alternatives. Such organizations may set guidelines that limit reimbursement or utilization of our products.

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

We face an inherent risk of product liability exposure related to the testing of our product candidates in human clinical trials and will face an even greater risk if we commercially sell any products that we may develop. If we cannot successfully defend against claims that our product candidates or products caused injuries, we will incur substantial liabilities. Regardless of merit or eventual outcome, liability claims may result in:

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

We currently hold $2 million in product liability insurance coverage in the aggregate, with a per incident limit of $2 million, which may not be adequate to cover all liabilities that we may incur. We may need to increase our insurance coverage as we expand our clinical trials or if we commence commercialization of our product candidates. Insurance coverage is increasingly expensive. We may not be able to maintain insurance coverage at a reasonable cost or in an amount adequate to satisfy any liability that may arise.

Risks Related to Our Dependence on Third Parties

Future development collaborations may be important to us. If we are unable to enter into or maintain these collaborations, or if these collaborations are not successful, our business could be adversely affected.

For some of our product candidates, we may in the future determine to seek to collaborate with pharmaceutical and biotechnology companies for development of products. We face significant competition in seeking appropriate collaborators. Our ability to reach a definitive agreement for any collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. If we are unable to reach agreements with suitable collaborators on a timely basis, on acceptable terms, or at all, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential development schedule or reduce the scope of research activities, or increase our expenditures and undertake discovery or nonclinical development activities at our own expense. If we fail to enter into collaborations and do not have sufficient funds or expertise to undertake the necessary development activities, we may not be able to further develop our product candidates or continue to develop our product candidates, and our business may be materially and adversely affected.

Future collaborations we may enter into may involve the following risks:

- collaborators may have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not perform their obligations as expected;
- changes in the collaborators' strategic focus or available funding, or external factors, such as an acquisition, may divert resources or create competing priorities;
- collaborators may delay discovery, nonclinical or clinical development, provide insufficient funding for product development of targets selected by us, stop or abandon discovery, nonclinical or clinical development for a product candidate, or repeat or conduct new discovery, and nonclinical and clinical development for a product candidate;
- collaborators could independently develop, or develop with third parties, products that compete directly or indirectly with our products or product candidates if the collaborators believe that competitive products are more likely to be successfully developed than our products;
- product candidates discovered in collaboration with us may be viewed by our collaborators as competitive with their own product candidates or products, which may cause collaborators to cease to devote resources to the development of our product candidates;
- disagreements with collaborators, including disagreements over proprietary rights, contract interpretation or the preferred course of development, might cause delays or termination of the discovery, nonclinical or clinical development or commercialization of product candidates, might lead to additional responsibilities for us with respect to product candidates, or might result in litigation or arbitration, any of which would be time-consuming and expensive;
- collaborators may not properly maintain or defend our intellectual property rights or intellectual property rights licensed to us or may use our proprietary information in such a way as to invite litigation that could jeopardize or invalidate our intellectual property or proprietary information or expose us to potential litigation;
- collaborators may infringe the intellectual property rights of third parties, which may expose us to litigation and potential liability; and
- collaborations may be terminated for the convenience of the collaborator and, if terminated, we could be required to raise additional capital to pursue further development or commercialization of the applicable product candidates.

Additionally, subject to its contractual obligations to us, if a collaborator is involved in a business combination, the collaborator might deemphasize or terminate the development of any of our product candidates. If one of our collaborators terminates its agreement with us, we may find it more difficult to attract new collaborators and our perception in the business and financial communities could be adversely affected.

If our collaborations do not result in the successful development of products or product candidates, product candidates could be delayed and we may need additional resources to develop product candidates. All of the risks relating to product development, regulatory approval and commercialization described in this periodic report also apply to the activities of our collaborators.

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

We have utilized, and intend to continue utilizing, third parties to formulate, manufacture, package, and distribute clinical supplies of our drug candidates. We have no experience in manufacturing and do not have any manufacturing facilities. Currently, we have sole suppliers for one or more of our active pharmaceutical ingredients ("API"), and a different sole manufacturer for each of our product candidates. In addition, these materials are custom-made and available from only a limited number of sources. In particular, there may be a limited supply source for APIs for OP-02 or other future product candidates. Although we believe that our third-party suppliers maintain a significant supply of APIs on hand, any sustained disruption in this supply could adversely affect our operations. We do not have any long-term agreements in place with our current API suppliers. If we are required to change

manufacturers, we may experience delays associated with finding an alternate manufacturer that is properly qualified to produce supplies of our products and product candidates in accordance with regulatory requirements and our specifications. Any delays or difficulties in obtaining APIs or in manufacturing, packaging or distributing approved product candidates could negatively affect our sales revenues, as well as delay our clinical trials.

We expect to rely on third-party manufacturers or third-party collaborators for the manufacture of commercial supply of any other product candidates for which our collaborators or we obtain marketing approval. Despite drug substance and product risk management, this reliance on third parties presents a risk that we will not have sufficient quantities of our product candidates or products or such quantities at an acceptable cost or quality, which could delay, prevent or impair our development or commercialization efforts. Any performance failure on the part of our existing or future manufacturers of drug substance or drug products could delay clinical development or marketing approval. We do not currently have arrangements in place for redundant supply. If suppliers cannot supply us with our requirements, we may be required to identify alternative manufacturers, which would lead us to incur added costs and delays in identifying and qualifying any such replacement.

The formulation used in early studies is not a final formulation for commercialization. Additional changes may be required by the FDA or other regulatory authorities on specifications and storage conditions. These may require additional studies, and may delay our clinical trials.

We also expect to rely on other third parties to label, store, and distribute drug supplies for our clinical trials. Any performance failure on the part of our distributors could delay clinical development or marketing approval of our product candidates or commercialization of our products, producing additional losses and depriving us of potential product revenue.

We may be unable to establish any agreements with third-party manufacturers or to do so on acceptable terms. Even if we are able to establish agreements with third-party manufacturers, reliance on third-party manufacturers entails additional risks, including:

- reliance on the third party for regulatory compliance and quality assurance;
- the possible breach of the manufacturing agreement by the third party;
- the possible misappropriation of our proprietary information, including our trade secrets and know-how; and
- the possible termination or nonrenewal of the agreement by the third party at a time that is costly or inconvenient for us.

The third parties we rely on for manufacturing and packaging are also subject to regulatory review, and any regulatory compliance problems with these third parties could significantly delay or disrupt our clinical or commercialization activities. Third-party manufacturers may not be able to comply with cGMP regulations or similar regulatory requirements outside the United States. Our failure, or the failure of our third-party manufacturers, to comply with applicable regulations could result in sanctions being imposed on us, including clinical holds, fines, injunctions, civil penalties, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of product candidates or products, operating restrictions and criminal prosecutions, any of which could significantly and adversely affect supplies of our products. Additionally, macro-economic conditions may adversely affect these third parties, causing them to suffer liquidity or operational problems. If a key third-party vendor becomes insolvent or is forced to lay off workers assisting with our projects, our results and development timing could suffer.

Our product candidates and any products that we may develop may compete with other product candidates and products for access to manufacturing facilities. There are a limited number of manufacturers that operate under cGMP regulations and that might be capable of manufacturing for us.

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

Risks Related to Our Intellectual Property

If we are unable to obtain and maintain intellectual property protection for our technology and products or if the scope of the intellectual property protection obtained is not sufficiently broad, our competitors could develop and commercialize technology and products similar or identical to ours, and our ability to successfully commercialize our technology and products may be impaired.

Our success depends in large part on our ability to obtain and maintain patent protection in the European Union, the United States and other countries with respect to our proprietary technology and products. We seek to protect our proprietary position by filing patent applications in the United States and internationally that are related to our novel technologies and product candidates. This patent portfolio includes issued patents and pending patent applications covering pharmaceutical methods of use.

The patent prosecution process is expensive and time-consuming, and we may not be able to file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. We may choose not to seek patent protection for certain innovations and may choose not to pursue patent protection in certain jurisdictions, and under the laws of certain jurisdictions,

patents or other intellectual property rights may be unavailable or limited in scope. It is also possible that we will fail to identify patentable aspects of our discovery and nonclinical development output before it is too late to obtain patent protection. Moreover, in some circumstances, we may not have the right to control the preparation, filing and prosecution of patent applications, or to maintain the patents, covering technology that we license from third parties. Therefore, these patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business.

The patent position of biotechnology and pharmaceutical companies generally is highly uncertain, involves complex legal and factual questions and has in recent years been the subject of much litigation. In addition, the laws of foreign countries may not protect our rights to the same extent as the laws of the United States. For example, India and China do not allow patents for methods of treating the human body. Publications of discoveries in the scientific literature often lag behind the actual discoveries, and patent applications in the United States and other jurisdictions are typically not published until 18 months after filing, or in some cases not at all. Therefore, we cannot know with certainty whether we were the first to make the inventions claimed in our owned or licensed patents or pending patent applications, or that we were the first to file for patent protection of such inventions. As a result, the issuance, scope, validity, enforceability and commercial value of our patent rights are highly uncertain. Our pending and future patent applications may not result in patents being issued which protect our technology or products, in whole or in part, or which effectively prevent others from commercializing competitive technologies and products. Changes in either the patent laws or interpretation of the patent laws in the European Union, the United States and other countries may diminish the value of our patents or narrow the scope of our patent protection.

Recent patent reform legislation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents. On September 16, 2011, the Leahy-Smith America Invents Act (the "Leahy-Smith Act"), was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. These include provisions that affect the way patent applications are prosecuted and may also affect patent litigation. The United States Patent and Trademark Office ("USPTO") recently developed new regulations and procedures to govern administration of the Leahy-Smith Act, and many of the substantive changes to patent law associated with the Leahy-Smith Act, and in particular, the first to file provisions, only became effective on March 16, 2013. Accordingly, it is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Moreover, we may be subject to a third-party pre-issuance submission of prior art to the USPTO, or become involved in opposition, derivation, reexamination, inter partes review, post-grant review or interference proceedings challenging our patent rights or the patent rights of others. An adverse determination in any such submission, proceeding or litigation could reduce the scope of, or invalidate, our patent rights, allow third parties to commercialize our technology or products and compete directly with us, without payment to us, or result in our inability to manufacture or commercialize products without infringing third-party patent rights. In addition, if the breadth or strength of protection provided by our patents and patent applications is threatened, it could dissuade companies from collaborating with us to license, develop or commercialize current or future product candidates.

Even if our owned and licensed patent applications issue as patents, they may not issue in a form that will provide us with any meaningful protection, prevent competitors from competing with us or otherwise provide us with any competitive advantage. Our competitors may be able to circumvent our owned or licensed patents by developing similar or alternative technologies or products in a non-infringing manner.

The issuance of a patent is not conclusive as to its inventorship, scope, validity, or enforceability, and our owned and licensed patents may be challenged in the courts or patent offices in the United States and abroad. Such challenges may result in loss of exclusivity or freedom to operate or in patent claims being narrowed, invalidated or held unenforceable, in whole or in part, which could limit our ability to stop others from using or commercializing similar or identical technology and products, or limit the duration of the patent protection of our technology and products. Given the amount of time required for the development, testing and regulatory review of new product candidates, patents protecting such candidates might expire before or shortly after such candidates are commercialized. As a result, our owned and licensed patent portfolio may not provide us with sufficient rights to exclude others from commercializing products similar or identical to our own.

The risks described elsewhere pertaining to our patents and other intellectual property rights also apply to the intellectual property rights that we license, and any failure to obtain, maintain and enforce these rights could have a material adverse effect on our business. In some cases, we may not have control over the prosecution, maintenance or enforcement of the patents that we license, and our licensors may fail to take the steps that we believe are necessary or desirable in order to obtain, maintain and enforce the licensed patents. Any inability on our part to protect adequately our intellectual property may have a material adverse effect on our business, operating results and financial position.

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

Periodic maintenance fees, renewal fees, annuity fees and various other governmental fees on patents and/or applications will be due to be paid to the USPTO and various governmental patent agencies outside of the United States in several stages over the lifetime of the patents and/or applications. We have systems in place to remind us to pay these fees, and we employ an outside firm and rely on our outside counsel to pay these fees due to non-U.S. patent agencies. The USPTO and various non-U.S. governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. We employ reputable law firms and other professionals to help us comply, and in many cases, an inadvertent lapse can be cured by payment of a late fee or by other means in accordance with the applicable rules. However, there are situations in which non-compliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. In such an event, our competitors might be able to enter the market and this circumstance would have a material adverse effect on our business.

If we fail to comply with our obligations in the agreements under which we license intellectual property and other rights from third parties or otherwise experiences disruptions to our business relationships with our licensors, we could lose license rights that are important to our business.

We have acquired rights to our OP-02 technology through a license agreement with Otodyne, Inc. and may in the future enter into other license agreements with third parties for other intellectual property rights or assets. These license agreements may impose various diligence, milestone payment, royalty, and other obligations on us. If we fail to comply with our obligations under these agreements, or we are subject to a bankruptcy, we may be required to make certain payments to the licensor, we may lose the exclusivity of our license, or the licensor may have the right to terminate the license, in which event we would not be able to develop or market products covered by the license. Additionally, the milestone and other payments associated with these licenses will make it less profitable for us to develop our drug candidates than if we had developed the licensed technology internally.

In some cases, patent prosecution of our licensed technology may be controlled solely by the licensor. If our licensors fail to obtain and maintain patent or other protection for the proprietary intellectual property we license from them, we could lose our rights to the intellectual property or our exclusivity with respect to those rights, and our competitors could market competing products using the intellectual property. In certain cases, we may control the prosecution of patents resulting from licensed technology. In the event we breach any of our obligations related to such prosecution, we may incur significant liability to our licensing partners. If disputes over intellectual property and other rights that we have licensed prevent or impair our ability to maintain our current licensing arrangements on acceptable terms, we may be unable to successfully develop and commercialize the affected product candidates.

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

Because competition in our industry is intense, competitors may infringe or otherwise violate our issued patents, patents of our licensors or other intellectual property. To counter infringement or unauthorized use, we may be required to file infringement claims, which can be expensive and time-consuming. Any claims we assert against perceived infringers could provoke these parties to assert counterclaims against us alleging that we infringe their patents. In addition, in a patent infringement proceeding, a court may decide that a patent of ours is invalid or unenforceable, in whole or in part, construe the patent's claims narrowly, or refuse to stop the other party from using the technology at issue on the grounds that our patents do not cover the technology in question. An adverse result in any litigation proceeding could put one or more of our patents at risk of being invalidated or interpreted narrowly. We may also elect to enter into license agreements in order to settle patent infringement claims or to resolve disputes prior to litigation, and any such license agreements may require us to pay royalties and other fees that could be significant. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, there is a risk that some of our confidential information could be compromised by disclosure.

We may need to license certain intellectual property from third parties, and such licenses may not be available or may not be available on commercially reasonable terms.

A third party may hold intellectual property, including patent rights, that are important or necessary to the development of our products. It may be necessary for us to use the patented or proprietary technology of third parties to commercialize our products, in which case we would be required to obtain a license from these third parties on commercially reasonable terms, or our business could be harmed, possibly materially. Although we believe that licenses to these patents are available from these third parties on commercially reasonable terms, if we were not able to obtain a license, or were not able to obtain a license on commercially reasonable terms, our business could be harmed, possibly materially.

Third parties may initiate legal proceedings alleging that we are infringing their intellectual property rights, the outcome of which would be uncertain and could have a material adverse effect on the success of our business.

Our commercial success depends upon our ability, and the ability of our collaborators, to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. There is considerable intellectual property litigation in the biotechnology and pharmaceutical industries. We may become party to, or threatened with, future adversarial proceedings or litigation regarding intellectual property rights with respect to our products and technology, including interference or derivation proceedings before the USPTO. Third parties may assert infringement claims against us based on existing patents or patents that may be granted in the future.

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

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 some of our technology and product candidates, we also rely on trade secrets, including unpatented know-how, technology and other proprietary information, to maintain our competitive position. We seek to protect these trade secrets, in part, by entering into non-disclosure and confidentiality agreements with parties who have access to them, such as our employees, corporate collaborators, outside scientific collaborators, contract manufacturers, consultants, advisors and other third parties. We seek to protect our confidential proprietary information, in part, by entering into confidentiality and invention or patent assignment agreements with our employees and consultants; however, we cannot be certain that such agreements have been entered into with all relevant parties. Moreover, to the extent we enter into such agreements, 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 such breaches. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. 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 communicate them, 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.

Risks Related to Our Employee Matters, Managing Growth and Macroeconomic Conditions

Our future success depends on our ability to retain key executives and to attract, retain and motivate qualified personnel.

We are highly dependent on the product development, clinical and business development expertise of the principal members of our management, scientific and clinical team. Although we have entered into employment agreements with our key executives, each of them may terminate their employment with us at any time. We do not maintain "key person" insurance for any of our executives or other employees.

Recruiting and retaining qualified scientific, clinical, manufacturing, sales and marketing personnel is critical to our success. The loss of the services of our executive officers or other key employees could impede the achievement of our development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees may be difficult and may take an extended period of time because of the limited number of individuals in our industry with the breadth of skills and experience required to successfully develop, gain regulatory approval of, and commercialize products. Competition to hire from this limited pool is intense, and we may be unable to hire, train, retain or motivate these key personnel on acceptable terms given the competition among numerous pharmaceutical and biotechnology companies for similar personnel. We also experience competition for the hiring of scientific and clinical personnel from universities and research institutions. In addition, we rely on consultants and advisors, including scientific and clinical advisors, to assist us in formulating our nonclinical development, clinical and regulatory strategy and development, and commercialization strategy. Our consultants and advisors may be employed by employers other than us and may have commitments under consulting or advisory contracts with other entities that may limit their availability to provide services to us. If we are unable to continue to attract and retain high quality personnel, our ability to pursue our growth strategy will be limited.

We expect to expand our research and development function, as well as our corporate operations, and as a result, we may encounter difficulties in managing our growth, which could disrupt our operations.

We expect to experience significant growth in the number of our employees and the scope of our operations, particularly in the areas of drug development, regulatory affairs and, if any of our product candidates receives marketing approval, sales, marketing and distribution. To manage our anticipated future growth, we must continue to implement and improve our managerial, operational and financial systems, expand our facilities and continue to recruit and train additional qualified personnel. Due to our limited financial resources, we may not be able to effectively manage the expansion of our operations or recruit and train additional qualified personnel. The expansion of our operations may lead to significant costs and may divert our management and business development resources. Any inability to manage growth could delay the execution of our business plans or disrupt our operations.

We may be subject to claims that our employees or directors have wrongfully used or disclosed alleged trade secrets of their former employers.

Many of our employees and certain of our directors 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 and directors do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees or directors have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's or director's former employer. Litigation may be necessary to defend against these claims. If we fail in defending any such claims, in addition to paying monetary damages, we may lose valuable intellectual property rights or personnel. Even if we are successful in defending against such claims, litigation could result in substantial costs and be a distraction to management.

Unfavorable global economic conditions could adversely affect our business, financial condition or results of operations.

Our results of operations could be adversely affected by general conditions in the global economy and in the global financial markets. A severe or prolonged economic downturn, such as the recent global financial crisis, could result in a variety of risks to our business, including our ability to raise additional capital when needed on acceptable terms, if at all. This is particularly true in Europe, where the United Kingdom's vote to leave the European Union has created additional economic uncertainty. A weak or declining economy could also strain our suppliers, possibly resulting in supply disruption. Any of the foregoing could harm our business and we cannot anticipate all of the ways in which the current economic climate and financial market conditions could adversely impact our business.

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

Despite the implementation of security measures, our internal computer systems and those of the CROs, collaborators and third-parties on whom we rely are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. Furthermore, we have little or no control over the security measures and computer systems of our third-party collaborators. While we and, to our knowledge, our third-party collaborators 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 or our third-party collaborators, it could result in a material disruption of our drug development programs. For example, the loss of research data could delay development of our product candidates and 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 product candidates could be delayed.

Risks Related to Our Common Stock

We expect our stock price to be volatile, and the market price of our common stock may drop following the Reverse Merger.

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

- our ability to obtain regulatory approvals for OP-01, OP-02 or other product candidates, and delays or failures to obtain such approvals;
- failure of any of our product candidates, if approved, to achieve commercial success;
- issues in manufacturing our approved products, if any, or product candidates;
- the results of our current and any future clinical trials of our product candidates;
- the entry into, or termination of, key agreements, including key commercial partner agreements;
- the initiation of, material developments in, or conclusion of litigation to enforce or defend any of our intellectual property rights or defend against the intellectual property rights of others;
- announcements by commercial partners or competitors of new commercial products, clinical progress or the lack thereof, significant contracts, commercial relationships or capital commitments;
- the introduction of technological innovations or new therapies that compete with our potential products;
- the loss of key employees;
- changes in estimates or recommendations by securities analysts, if any, who cover our common stock;
- general and industry-specific economic conditions that may affect our research and development expenditures;
- changes in the structure of healthcare payment systems; and
- period-to-period fluctuations in our financial results.

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

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

If securities analysts do not publish research or reports about our business, or if they publish negative evaluations, the price of our common stock could decline.

The trading market for our common stock may be impacted by the availability or lack of research and reports that third-party industry or financial analysts publish about the Company. There are many large, publicly traded companies active in the biopharmaceutical industry, which may mean it will be less likely that we receive widespread analyst coverage. Furthermore, if one or more of the analysts who do cover the Company downgrade our stock, our stock price would likely decline. If we do not receive adequate coverage by reputable analysts that have an understanding of our business and industry, we could fail to achieve visibility in the market, which in turn could cause our stock price to decline.

Our executive officers, directors and principal stockholders, if they choose to act together, will have the ability to control all matters submitted to stockholders for approval.

Our executive officers and directors, combined with our principal stockholders, beneficially own shares representing approximately 55.5% of our capital stock. As a result, if these stockholders were to choose to act together, they would be able to control all matters submitted to our stockholders for approval, as well as our management and affairs. For example, these persons, if they choose to act together, would control the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets. This concentration of ownership control may:

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

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

We will incur significant legal, accounting and other expenses that Otic did not incur as a private company, including costs associated with public company reporting requirements. We will also incur costs associated with corporate governance requirements, including requirements under the Sarbanes-Oxley Act and rules and regulations promulgated by the SEC and NASDAQ. These rules and regulations are expected to increase our legal and financial compliance costs and to make some activities more time-consuming and costly. These rules and regulations may also make it difficult and expensive for the Company to obtain directors' and officers' liability insurance. As a result, it may be more difficult for the Company to attract and retain qualified individuals to serve on our board of directors or as executive officers of the Company, which may adversely affect investor confidence in the Company and could cause our business or stock price to suffer.

If we fail to establish and maintain proper and effective internal control over financial reporting, our operating results and our ability to operate our business could be harmed.

Ensuring that we will 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 needs to be re-evaluated frequently. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP.

Through the fiscal year ended December 31, 2014, Otic's financial statements have been audited in accordance with generally accepted auditing standards in Israel. The consolidated financial statements for the years ended December 31, 2016 and 2015 were audited in accordance with generally accepted auditing standards in the United States.

For the fiscal year ended December 31, 2017, our financial statements will be audited in accordance with the standards of the Public Company Accounting Oversight Board (United States). In addition, we will be required to be compliant with public company internal control requirements mandated under Section 302 and 906 of the Sarbanes-Oxley Act. We will be implementing measures designed to improve our internal controls over financial reporting, including bringing in additional accounting resources and establishing new accounting and financial reporting procedures to establish an appropriate level of internal controls over financial reporting. However, we are still in the process of implementing these measures and cannot provide assurances that we will be successful in doing so. If we are unable to successfully implement internal controls over financial reporting, the accuracy and timing of our financial reporting, and our stock price, may be adversely affected and we may be unable to maintain compliance with the applicable stock exchange listing requirements.

Implementing any appropriate changes to our internal controls may distract the officers and employees of the Company, entail substantial costs to modify its existing processes and take significant time to complete. These changes may not, however, be effective in maintaining the adequacy of the internal controls of the Company, and any failure to maintain that adequacy, or consequent inability to produce accurate financial statements on a timely basis, could increase operating costs and harm the business. In addition, investors' perceptions that the internal controls of the Company are inadequate or that we are unable to produce accurate financial statements on a timely basis may harm the stock price of the Company.

Provisions in our corporate charter documents and under Delaware law could make an acquisition of the Company, which may be beneficial to our stockholders, more difficult and may prevent attempts by our stockholders to replace or remove our current management.

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

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

Moreover, because the Company is incorporated in Delaware, it is governed by the provisions of Section 203 of the DGCL, which prohibits a person who owns in excess of 15% of its outstanding voting stock from merging or combining with us for a period of three years after the date of the transaction in which the person acquired in excess of 15% of our outstanding voting stock, unless the merger or combination is approved in a prescribed manner.

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

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

SIGNATURES

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

Novus Therapeutics, Inc.

Date: August 9, 2017 By: /s/ Gregory J. Flesher

Gregory J. Flesher
President and Chief Executive Officer and Director (Principal Executive Officer)

Date: August 9, 2017 By: /s/ Jon S. Kuwahara

Jon S. Kuwahara
Senior Vice President Finance & Administration (Principal Financial and Accounting Officer)

Exhibit Index

Exhibit Number	Description
2.1	Amended and Restated Share Purchase Agreement dated as of March 2, 2017, by and among the Registrant, Otic Pharma, Ltd., and shareholders of Otic Pharma, Ltd., named therein. (1)
3.1	Restated Certificate of Incorporation of the Registrant. (2)
3.1.1	Certificate of Amendment (Reverse Stock Split) to the Restated Certificate of Incorporation of the Company, dated May 9, 2017. (3)
3.1.2	Certificate of Amendment (Name Change) to the Restated Certificate of Incorporation of the Company, dated May 9, 2017. (3)
3.2	Amended and Restated Bylaws of the Registrant. (4)
4.1	Specimen certificate evidencing shares of common stock. (4)
10.1*	Form of Indemnification Agreement between Novus Therapeutics, Inc. and each of its directors and executive officers.
10.2*	Lease Agreement, dated as of September 2, 2015, by and between The Irvine Company LLC and Otic Pharma, Inc.
10.3*	Executive Employment Agreement, dated July 15, 2015, between Otic Pharma, Inc., and Gregory J. Flesher.
10.4*	Exclusive License Agreement, dated November 1, 2015, between Scientific Development and Research, Inc. and Otodyne, Inc., on the one hand, and Oticpharma, Inc., on the other hand.**
10.5*	Offer of Employment, dated July 1, 2017, from Novus Therapeutics, Inc. to Jon Kuwahara.
10.6*	Management Continuity Agreement, dated August 7, 2017, between Novus Therapeutics, Inc. and Gregory J. Flesher.
10.7*	Management Continuity Agreement, dated August 7, 2017, between Novus Therapeutics, Inc. and Jon S. Kuwahara.
31.1*	Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1*	Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2*	Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission pursuant to a request for confidential treatment.

(1) Incorporated by reference to Form 10-K filed on March 3, 2017

(2) Incorporated by reference to Form 8-K filed on September 26, 2014

(3) Incorporated by reference to Form 8-K filed on May 15, 2017

(4) Incorporated by reference to Form 8-A/A filed on June 23, 2017

Exhibit 10.1

INDEMNIFICATION AGREEMENT

This Indemnification Agreement ("Agreement") is made as of , 2017 by and between Novus Therapeutics, Inc., a Delaware corporation (the "Company"), and (the "Indemnitee"). This Agreement supersedes and replaces any and all previous Agreements between the Company (or any predecessor or subsidiary of the Company) and Indemnitee covering the subject matter of this Agreement.

RECITALS

WHEREAS, highly competent persons have become more reluctant to serve publicly-held corporations as directors, officers or in other capacities unless they are provided with adequate protection through insurance or adequate indemnification against inordinate risks of claims and actions against them arising out of their service to and activities on behalf of the corporation;

WHEREAS, the Board of Directors of the Company (the "Board") has determined that, in order to attract and retain qualified individuals, the Company will attempt to maintain on an ongoing basis, at its sole expense, liability insurance to protect persons serving the Company and its subsidiaries from certain liabilities. Although the furnishing of such insurance has been a customary and widespread practice among United States-based corporations and other business enterprises, the Company believes that, given current market conditions and trends, such insurance may be available to it in the future only at higher premiums and with more exclusions. At the same time, directors, officers, and other persons in service to corporations or business enterprises are being increasingly subjected to expensive and time-consuming litigation relating to, among other things, matters that traditionally would have been brought only against the Company or business enterprise itself. The certificate of incorporation of the Company (as the same may be amended from time to time, the "Certificate of Incorporation") requires indemnification of the officers and directors of the Company. Indemnitee may also be entitled to indemnification pursuant to the General Corporation Law of the State of Delaware (the "DGCL"). The Certificate of Incorporation and the DGCL expressly provide that the indemnification provisions set forth therein are not exclusive, and thereby contemplate that contracts may be entered into between the Company and members of the board of directors, officers and other persons with respect to indemnification;

WHEREAS, the uncertainties relating to such insurance and to indemnification have increased the difficulty of attracting and retaining such persons;

WHEREAS, the Board has determined that the increased difficulty in attracting and retaining such persons is detrimental to the best interests of the Company and its stockholders and that the Company should act to assure such persons that there will be increased certainty of such protection in the future;

WHEREAS, it is reasonable, prudent and necessary for the Company contractually to obligate itself to indemnify, and to advance expenses on behalf of, such persons to the fullest extent permitted by applicable law so that they will serve or continue to serve the Company free from undue concern that they will not be so indemnified;

WHEREAS, this Agreement is a supplement to and in furtherance of the Certificate of Incorporation and any resolutions adopted pursuant thereto, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder; [and]

WHEREAS, Indemnitee does not regard the protection available under the Certificate of Incorporation and insurance as adequate in the present circumstances, and may not be willing to serve as an officer or director without adequate protection, and the Company desires Indemnitee to serve in such capacity. Indemnitee is willing to serve, continue to serve and to take on additional service for or on behalf of the Company on the condition that he be so indemnified; [and]

[1][WHEREAS, Indemnitee is a representative of [and its affiliated investment funds] (the "Fund"), and has certain rights to indemnification and/or insurance provided by the Fund which Indemnitee and the Fund intend to be secondary to the primary obligation of the Company to indemnify Indemnitee as provided herein, with the Company's acknowledgement and agreement to the foregoing being a material condition to Indemnitee's willingness to serve on the Board;]

NOW, THEREFORE, in consideration of the premises and the covenants contained herein, the Company and Indemnitee do hereby covenant and agree as follows:

Section 1. Services to the Company. Indemnitee agrees to serve as a[n] [director] [and] [officer] of the Company. Indemnitee may at any time and for any reason resign from such position (subject to any other contractual obligation or any obligation imposed by operation of law), in which event the Company shall have no obligation under this Agreement to continue Indemnitee in such position. This Agreement shall not be deemed an employment contract between the Company (or of its subsidiaries or any Enterprise) and Indemnitee. Indemnitee specifically acknowledges that Indemnitee's employment with the Company (or of its subsidiaries or any Enterprise), if any, is at will, and the Indemnitee may be discharged at any time for any reason, with or without cause, except as may be otherwise provided in any written employment contract between Indemnitee and the Company (or of its subsidiaries or any Enterprise), other applicable formal severance policies duly adopted by the Board, or, with respect to service as a director or officer of the Company, by the Certificate of Incorporation, the Company's Bylaws, and the DGCL. The foregoing notwithstanding, this Agreement shall continue in force after Indemnitee has ceased to serve as a[n] [director] [or] [officer] of the Company, as provided in Section 16 hereof.

Section 2. Definitions. As used in this Agreement:

(a) References to "agent" shall mean any person who is or was a director, officer, or employee of the Company or a subsidiary of the Company or other person authorized by the Company to act for the Company, to include such person serving in such capacity as a director, officer, employee, fiduciary or other official of another corporation, partnership, limited liability company, joint venture, trust or other enterprise at the request of, for the convenience of, or to represent the interests of the Company or a subsidiary of the Company.

(b) A "Change in Control" shall be deemed to occur upon the earliest to occur after the date of this Agreement of any of the following events:

i. Acquisition of Stock by Third Party. Any Person (as defined below) is or becomes the Beneficial Owner (as defined below), directly or indirectly, of securities of the Company representing forty percent (40%) or more of the combined voting power of the Company's then outstanding securities unless the change in relative Beneficial Ownership of the Company's securities by any Person results solely from a reduction in the aggregate number of outstanding shares of securities entitled to vote generally in the election of directors;

ii. Change in Board of Directors. During any period of two (2) consecutive years (not including any period prior to the execution of this Agreement), individuals who at the beginning of such period constitute the Board, and any new director (other than a director designated by a person who has entered into an agreement with the Company to effect a transaction described in Sections 2(b)(i), 2(b)(iii) or 2(b)(iv)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds 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 at least a majority of the members of the Board;

iii. Corporate Transactions. The effective date of a merger or consolidation of the Company with any other entity, other than a merger or consolidation which would result in the voting securities of the Company outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity or its ultimate parent, as applicable)

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[1] Include this recital and the other bracketed provisions where indicated throughout if the Indemnitee is affiliated with a venture capital fund or other entity that provides indemnification to the Indemnitee

more than 51% of the combined voting power of the voting securities of the surviving entity or its ultimate parent, as applicable, outstanding immediately after such merger or consolidation and with the power to elect at least a majority of the board of directors or other governing body of such surviving entity or its ultimate parent, as applicable;

iv. Liquidation or Sale of Assets. The approval by the stockholders of the Company of a complete liquidation of the Company or an agreement for the sale or disposition by the Company of all or substantially all of the Company's assets; and

v. Other Events. There occurs any other event of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A (or a response to any similar item on any similar schedule or form) promulgated under the Exchange Act (as defined below), whether or not the Company is then subject to such reporting requirement.

For purposes of this Section 2(b), the following terms shall have the following meanings:

(A) "Exchange Act" shall mean the Securities Exchange Act of 1934, as amended from time to time.

(B) "Person" shall have the meaning as set forth in Sections 13(d) and 14(d) of the Exchange Act; provided, however, that Person shall exclude (i) the Company, (ii) any trustee or other fiduciary holding securities under an employee benefit plan of the Company, and (iii) any corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of stock of the Company.

(C) "Beneficial Owner" shall have the meaning given to such term in Rule 13d-3 under the Exchange Act; provided, however, that Beneficial Owner shall exclude any Person otherwise becoming a Beneficial Owner by reason of the stockholders of the Company approving a merger of the Company with another entity.

(c) "Corporate Status" describes the status of a person as a current or former director or officer of the Company or as a current or former director, manager, partner, officer, employee, agent, or trustee of any other entity or enterprise that such person is or was serving at the request of the Company.

(d) "Disinterested Director" shall mean a director of the Company who is not and was not a party to the Proceeding in respect of which indemnification is sought by Indemnitee.

(e) "Enterprise" shall mean the Company and any other corporation, limited liability company, partnership, joint venture, trust or other enterprise of which Indemnitee is or was serving at the request of the Company as a director, officer, trustee, partner, managing member, employee, agent or fiduciary.

(f) "Expenses" shall include all reasonable attorneys' fees, retainers, court costs, transcript costs, fees of experts and other professionals, witness fees, travel expenses, duplicating costs, printing and binding costs, telephone charges, postage, delivery service fees, any federal, state, local or foreign taxes imposed on Indemnitee as a result of the actual or deemed receipt of any payments under this Agreement, ERISA excise taxes and penalties, 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, or otherwise participating in, a Proceeding. Expenses also shall include (i) Expenses incurred in connection with any appeal resulting from any Proceeding, including without limitation the premium, security for, and other costs relating to any cost bond, supersedeas bond, or other appeal bond or its equivalent, and (ii) for purposes of Section 14(d) only, Expenses incurred by Indemnitee in connection with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement, by litigation or otherwise. The parties agree that for the purposes of any advancement of Expenses for which Indemnitee has made written demand to the Company in accordance with this Agreement, all Expenses included in such demand that are certified by affidavit of Indemnitee's counsel as being reasonable shall be presumed conclusively to be reasonable. Expenses, however, shall not include amounts paid in settlement by Indemnitee or the amount of judgments or fines against Indemnitee.

(g) "Independent Counsel" shall mean a law firm, or a member of a law firm, that is experienced in matters of corporation law and neither presently is, nor in the past five years has been, retained to represent: (i) the Company or Indemnitee in any matter material to either such party (other than with respect to matters concerning the Indemnitee under this Agreement, or of other indemnitees under similar indemnification agreements), or (ii) any other party to the Proceeding giving rise to a claim for indemnification hereunder. Notwithstanding the foregoing, the term "Independent Counsel" shall not include any person who, under the applicable standards of professional conduct then prevailing, would have a conflict of interest in representing either the Company or Indemnitee in an action to determine Indemnitee's rights under this Agreement. The Company agrees to pay the reasonable fees and expenses of the Independent Counsel referred to above and to fully indemnify such counsel against any and all Expenses, claims, liabilities and damages arising out of or relating to this Agreement or its engagement pursuant hereto.

(h) The term "Proceeding" shall include any threatened, pending or completed action, suit, claim, counterclaim, cross claim, arbitration, mediation, alternate dispute resolution mechanism, investigation, inquiry, administrative hearing or any other actual, threatened or completed proceeding, whether brought in the right of the Company or otherwise and whether of a civil, criminal, administrative, legislative, or investigative (formal or informal) nature, including any appeal therefrom, in which Indemnitee was, is or will be involved as a party, potential party, non-party witness or otherwise by reason of the fact that Indemnitee is or was a director or officer of the Company, by reason of any action taken by him (or a failure to take action by him) or of any action (or failure to act) on his part while acting pursuant to his Corporate Status, in each case whether or not serving in such capacity at the time any liability or Expense is incurred for which indemnification, reimbursement, or advancement of Expenses can be provided under this Agreement. If the Indemnitee believes in good faith that a given situation may lead to or culminate in the institution of a Proceeding, this shall be considered a Proceeding under this paragraph.

(i) Reference to "other enterprise" shall include employee benefit plans; references to "fines" shall include any excise tax assessed with respect to any employee benefit plan; references to "serving at the request of the Company" shall include any service as a director, officer, employee or agent of the Company which imposes duties on, or involves services by, such director, officer, employee or agent with respect to an employee benefit plan, its participants or beneficiaries; and a person who acted in good faith and in a manner he reasonably believed to be in the best interests of the participants and beneficiaries of an employee benefit plan shall be deemed to have acted in manner "not opposed to the best interests of the Company" as referred to in this Agreement.

Section 3. Indemnity in Third-Party Proceedings. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 3 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding, other than a Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 3, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company and, in the case of a criminal Proceeding had no reasonable cause to believe that his conduct was unlawful. The parties hereto intend that this Agreement shall provide to the fullest extent permitted by law for indemnification in excess of that expressly permitted by statute, including, without limitation, any indemnification provided by the Certificate of Incorporation, the Bylaws, vote of its stockholders or disinterested directors or applicable law.

Section 4. Indemnity in Proceedings by or in the Right of the Company. The Company shall indemnify Indemnitee in accordance with the provisions of this Section 4 if Indemnitee is, or is threatened to be made, a party to or a participant in any Proceeding by or in the right of the Company to procure a judgment in its favor. Pursuant to this Section 4, Indemnitee shall be indemnified to the fullest extent permitted by applicable law against all Expenses actually and reasonably incurred by him or on his behalf in connection with such Proceeding or any claim, issue or matter therein, if Indemnitee acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Company. No indemnification for Expenses shall be made under this Section 4 in respect of any claim, issue or matter as to which Indemnitee shall have been finally adjudged by a court to be liable to the Company, unless and only to the extent that the Delaware Court of Chancery (the "Delaware Court") or any court in which the Proceeding was brought shall determine upon application that, despite the adjudication of liability

but in view of all the circumstances of the case, Indemnitee is fairly and reasonably entitled to indemnification for such expenses as the Delaware Court shall deem proper.

Section 5. Indemnification for Expenses of a Party Who is Wholly or Partly Successful. Notwithstanding any other provisions of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is a party to (or a participant in) and is successful, on the merits or otherwise, in any Proceeding or in defense of any claim, issue or matter therein, in whole or in part, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him in connection therewith. If Indemnitee is not wholly successful in such Proceeding but is successful, on the merits or otherwise, as to one or more but less than all claims, issues or matters in such Proceeding, the Company shall indemnify Indemnitee against all Expenses actually and reasonably incurred by him or on his behalf in connection with or related to each successfully resolved claim, issue or matter to the fullest extent permitted by law. For purposes of this Section and without limitation, the termination of any claim, issue or matter in such a Proceeding by dismissal, with or without prejudice, shall be deemed to be a successful result as to such claim, issue or matter.

Section 6. Indemnification For Expenses of a Witness. Notwithstanding any other provision of this Agreement, to the fullest extent permitted by applicable law and to the extent that Indemnitee is, by reason of his Corporate Status, a witness or otherwise asked to participate in any Proceeding to which Indemnitee is not a party, he shall be indemnified against all Expenses actually and reasonably incurred by him or on his behalf in connection therewith.

Section 7. Partial Indemnification. If Indemnitee is entitled under any provision of this Agreement to indemnification by the Company for some or a portion of Expenses, but not, however, for the total amount thereof, the Company shall nevertheless indemnify Indemnitee for the portion thereof to which Indemnitee is entitled.

Section 8. Additional Indemnification.

(a) Notwithstanding any limitation in Sections 3, 4, or 5, the Company shall indemnify Indemnitee to the fullest extent permitted by applicable law if Indemnitee is a party to or threatened to be made a party to any Proceeding (including a Proceeding by or in the right of the Company to procure a judgment in its favor) against all Expenses, judgments, fines and amounts paid in settlement (including all interest, assessments and other charges paid or payable in connection with or in respect of such Expenses, judgments, fines and amounts paid in settlement) actually and reasonably incurred by Indemnitee in connection with the Proceeding.

(b) For purposes of Section 8(a), the meaning of the phrase “to the fullest extent permitted by applicable law” shall include, but not be limited to:

i. to the fullest extent permitted by the provision of the DGCL that authorizes or contemplates additional indemnification by agreement, or the corresponding provision of any amendment to or replacement of the DGCL, and

ii. to the fullest extent authorized or permitted by any amendments to or replacements of the DGCL adopted after the date of this Agreement that increase the extent to which a corporation may indemnify its officers and directors.

Section 9. Exclusions. Notwithstanding any provision in this Agreement [but subject to Section 15(e), however], the Company shall not be obligated under this Agreement to make any indemnification payment in connection with any claim made against Indemnitee:

(a) for which payment has actually been made to or on behalf of Indemnitee under any insurance policy or other indemnity provision, except with respect to any excess beyond the amount paid under any insurance policy or other indemnity provision; or

(b) for (i) an accounting of profits made from the purchase and sale (or sale and purchase) by Indemnitee of securities of the Company within the meaning of Section 16(b) of the Exchange Act (as defined in Section 2(b) hereof) or similar provisions of state statutory law or common law, or (ii) any reimbursement of the

Company by the Indemnitee of any bonus or other incentive-based or equity-based compensation or of any profits realized by the Indemnitee from the sale of securities of the Company, as required in each case under the Exchange Act (including any such reimbursements that arise from an accounting restatement of the Company pursuant to Section 304 of the Sarbanes-Oxley Act of 2002 (the "Sarbanes-Oxley Act"), or the payment to the Company of profits arising from the purchase and sale by Indemnitee of securities in violation of Section 306 of the Sarbanes-Oxley Act); or

(c) except as provided in Section 14(d) of this Agreement, in connection with any Proceeding (or any part of any Proceeding) initiated by Indemnitee, including any Proceeding (or any part of any Proceeding) initiated by Indemnitee against the Company or its directors, officers, employees or other indemnitees, unless (i) the Board authorized the Proceeding (or any part of any Proceeding) prior to its initiation or (ii) the Company provides the indemnification, in its sole discretion, pursuant to the powers vested in the Company under applicable law.

Section 10. Advances of Expenses. Notwithstanding any provision of this Agreement to the contrary (other than Section 14(d)), the Company shall advance, to the extent not prohibited by law, the Expenses incurred by Indemnitee in connection with any Proceeding (or any part of any Proceeding) not initiated by Indemnitee, and such advancement shall be made within thirty (30) days after the receipt by the Company of a statement or statements requesting such advances from time to time, whether prior to or after final disposition of any Proceeding. Advances shall be unsecured and interest free. 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. In accordance with Section 14(d), advances shall include any and all reasonable Expenses incurred pursuing an action to enforce this right of advancement, including Expenses incurred preparing and forwarding statements to the Company to support the advances claimed. The Indemnitee shall qualify for advances upon the execution and delivery to the Company of this Agreement, which shall constitute an undertaking providing that the Indemnitee undertakes to repay the amounts advanced (without interest) to the extent that it is ultimately determined that Indemnitee is not entitled to be indemnified by the Company. No other form of undertaking shall be required other than the execution of this Agreement. This Section 10 shall not apply to any claim made by Indemnitee for which indemnity is excluded pursuant to Section 9.

Section 11. Procedure for Notification and Defense of Claim.

(a) Indemnitee shall notify the Company in writing of any matter with respect to which Indemnitee intends to seek indemnification or advancement of Expenses hereunder as soon as reasonably practicable following the receipt by Indemnitee of written notice thereof. The written notification to the Company shall include a description of the nature of the Proceeding and the facts underlying the Proceeding. To obtain indemnification under this Agreement, Indemnitee shall submit to the Company a written request, including therein or therewith such documentation and information as is reasonably available to Indemnitee and is reasonably necessary to determine whether and to what extent Indemnitee is entitled to indemnification following the final disposition of such Proceeding. The omission by Indemnitee to notify the Company hereunder will not relieve the Company from any liability which it may have to Indemnitee hereunder or otherwise than under this Agreement, and any delay in so notifying the Company shall not constitute a waiver by Indemnitee of any rights under this Agreement. The Secretary of the Company shall, promptly upon receipt of such a request for indemnification, advise the Board in writing that Indemnitee has requested indemnification.

(b) The Company will be entitled to participate in the Proceeding at its own expense.

Section 12. Procedure Upon Application for Indemnification.

(a) Upon written request by Indemnitee for indemnification pursuant to Section 11(a), a determination, if required by applicable law, with respect to Indemnitee's entitlement thereto shall be made in the specific case: (i) if a Change in Control shall have occurred, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee; or (ii) if a Change in Control shall not have occurred, (A) by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (B) by a committee of Disinterested Directors designated by a majority vote of the Disinterested Directors, even though less than a quorum of the Board, (C) if there are no such Disinterested Directors or, if such Disinterested Directors so direct, by Independent Counsel in a written opinion to the Board, a copy of which shall be delivered to Indemnitee or (D) if so directed by the

Board, by the stockholders of the Company; and, if it is so determined that Indemnitee is entitled to indemnification, payment to Indemnitee shall be made within ten (10) days after such determination. Indemnitee shall cooperate with the person, persons or entity making such determination with respect to Indemnitee's entitlement to indemnification, including providing to such person, persons or entity upon reasonable advance request any documentation or information which is not privileged or otherwise protected from disclosure and which is reasonably available to Indemnitee and reasonably necessary to such determination. Any costs or Expenses (including attorneys' fees and disbursements) incurred by Indemnitee in so cooperating with the person, persons or entity making such determination shall be borne by the Company (irrespective of the determination as to Indemnitee's entitlement to indemnification) and the Company hereby indemnifies and agrees to hold Indemnitee harmless therefrom. The Company promptly will advise Indemnitee in writing with respect to any determination that Indemnitee is or is not entitled to indemnification, including a description of any reason or basis for which indemnification has been denied.

(b) In the event the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) hereof, the Independent Counsel shall be selected as provided in this Section 12(b). If a Change in Control shall not have occurred, the Independent Counsel shall be selected by the Board, and the Company shall give written notice to Indemnitee advising him of the identity of the Independent Counsel so selected. If a Change in Control shall have occurred, the Independent Counsel shall be selected by Indemnitee (unless Indemnitee shall request that such selection be made by the Board, in which event the preceding sentence shall apply), and Indemnitee shall give written notice to the Company advising it of the identity of the Independent Counsel so selected. In either event, Indemnitee or the Company, as the case may be, may, within ten (10) days after such written notice of selection shall have been given, deliver to the Company or to Indemnitee, as the case may be, a written objection to such selection; provided, however, that such objection may be asserted only on the ground that the Independent Counsel so selected does not meet the requirements of "Independent Counsel" as defined in Section 2 of this Agreement, and the objection shall set forth with particularity the factual basis of such assertion. Absent a proper and timely objection, the person so selected shall act as Independent Counsel. If such written objection is so made and substantiated, the Independent Counsel so selected may not serve as Independent Counsel unless and until such objection is withdrawn or the Delaware Court has determined that such objection is without merit. If, within twenty (20) days after the later of submission by Indemnitee of a written request for indemnification pursuant to Section 11(a) hereof and the final disposition of the Proceeding, no Independent Counsel shall have been selected and not objected to, either the Company or Indemnitee may petition the Delaware Court for resolution of any objection which shall have been made by the Company or Indemnitee to the other's selection of Independent Counsel and/or for the appointment as Independent Counsel of a person selected by such court or by such other person as such court shall designate, and the person with respect to whom all objections are so resolved or the person so appointed shall act as Independent Counsel under Section 12(a) hereof. Upon the due commencement of any judicial proceeding or arbitration pursuant to Section 14(a) of this Agreement, Independent Counsel shall be discharged and relieved of any further responsibility in such capacity (subject to the applicable standards of professional conduct then prevailing).

Section 13. Presumptions and Effect of Certain Proceedings.

(a) In making a determination with respect to entitlement to indemnification hereunder, the person or persons or entity making such determination shall, to the fullest extent not prohibited by law, presume that Indemnitee is entitled to indemnification under this Agreement if Indemnitee has submitted a request for indemnification in accordance with Section 11(a) of this Agreement, and the Company shall, to the fullest extent not prohibited by law, have the burden of proof to overcome that presumption in connection with the making by any person, persons or entity of any determination contrary to that presumption. Neither the failure of the Company (including by its directors or Independent Counsel) to have made a determination prior to the commencement of any action pursuant to this Agreement that indemnification is proper in the circumstances because Indemnitee has met the applicable standard of conduct, nor an actual determination by the Company (including by its directors or Independent Counsel) that Indemnitee has not met such applicable standard of conduct, shall be a defense to the action or create a presumption that Indemnitee has not met the applicable standard of conduct.

(b) Subject to Section 14(e), if the person, persons or entity empowered or selected under Section 12 of this Agreement to determine whether Indemnitee is entitled to indemnification shall not have made a determination within sixty (60) days after receipt by the Company of the request therefor, the requisite determination of

entitlement to indemnification shall, to the fullest extent not prohibited by law, be deemed to have been made and Indemnitee shall be entitled to such indemnification, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law; provided, however, that such 60-day period may be extended for a reasonable time, not to exceed an additional thirty (30) days, if the person, persons or entity making the determination with respect to entitlement to indemnification in good faith requires such additional time for the obtaining or evaluating of documentation and/or information relating thereto; and provided, further, that the foregoing provisions of this Section 13(b) shall not apply (i) if the determination of entitlement to indemnification is to be made by the stockholders pursuant to Section 12(a) of this Agreement and if (A) within fifteen (15) days after receipt by the Company of the request for such determination the Board has resolved to submit such determination to the stockholders for their consideration at an annual meeting thereof to be held within seventy-five (75) days after such receipt and such determination is made thereat, or (B) a special meeting of stockholders is called within fifteen (15) days after such receipt for the purpose of making such determination, such meeting is held for such purpose within sixty (60) days after having been so called and such determination is made thereat, or (ii) if the determination of entitlement to indemnification is to be made by Independent Counsel pursuant to Section 12(a) of this Agreement.

(c) The termination of any Proceeding or of any claim, issue or matter therein, by judgment, order, settlement or conviction, or upon a plea of nolo contendere or its equivalent, shall not (except as otherwise expressly provided in this Agreement) of itself adversely affect the right of Indemnitee to indemnification or create a presumption that Indemnitee did not act in good faith and in a manner which he reasonably believed to be in or not opposed to the best interests of the Company or, with respect to any criminal Proceeding, that Indemnitee had reasonable cause to believe that his conduct was unlawful.

(d) For purposes of any determination of good faith, Indemnitee shall be deemed to have acted in good faith if Indemnitee's action is based on the records or books of account of the Enterprise, including financial statements, or on information supplied to Indemnitee by the directors or officers of the Enterprise in the course of their duties, or on the advice of legal counsel for the Enterprise or on information or records given or reports made to the Enterprise by an independent certified public accountant or by an appraiser or other expert selected with the reasonable care by the Enterprise. The provisions of this Section 13(d) shall not be deemed to be exclusive or to limit in any way the other circumstances in which the Indemnitee may be deemed to have met the applicable standard of conduct set forth in this Agreement.

(e) The knowledge and/or actions, or failure to act, of any director, officer, trustee, partner, managing member, fiduciary, agent or employee of the Enterprise shall not be imputed to Indemnitee for purposes of determining the right to indemnification under this Agreement.

Section 14. Remedies of Indemnitee.

(a) Subject to Section 14(e), in the event that (i) a determination is made pursuant to Section 12 of this Agreement that Indemnitee is not entitled to indemnification under this Agreement, (ii) advancement of Expenses is not timely made pursuant to Section 10 of this Agreement, (iii) no determination of entitlement to indemnification shall have been made pursuant to Section 12(a) of this Agreement within ninety (90) days after receipt by the Company of the request for indemnification, (iv) payment of indemnification is not made pursuant to Section 5, 6 or 7 or the last sentence of Section 12(a) of this Agreement within ten (10) days after receipt by the Company of a written request therefor, (v) payment of indemnification pursuant to Section 3, 4 or 8 of this Agreement is not made within ten (10) days after a determination has been made that Indemnitee is entitled to indemnification, or (vi) in the event that the Company or any other person takes or threatens to take any action to declare this Agreement void or unenforceable, or institutes any litigation or other action or Proceeding designed to deny, or to recover from, the Indemnitee the benefits provided or intended to be provided to the Indemnitee hereunder, Indemnitee shall be entitled to an adjudication by a court of his entitlement to such indemnification or advancement of Expenses. Alternatively, Indemnitee, at his option, may seek an award in arbitration to be conducted by a single arbitrator pursuant to the Commercial Arbitration Rules of the American Arbitration Association. Indemnitee shall commence such proceeding seeking an adjudication or an award in arbitration within 180 days following the date on which Indemnitee first has the right to commence such proceeding pursuant to this Section 14(a); provided, however, that the foregoing clause shall not apply in respect of a proceeding brought by Indemnitee to enforce his rights under

Section 5 of this Agreement. The Company shall not oppose Indemnitee's right to seek any such adjudication or award in arbitration.

(b) In the event that a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is not entitled to indemnification, any judicial proceeding or arbitration commenced pursuant to this Section 14 shall be conducted in all respects as a de novo trial, or arbitration, on the merits and Indemnitee shall not be prejudiced by reason of that adverse determination. In any judicial proceeding or arbitration commenced pursuant to this Section 14, the Company shall have the burden of proving Indemnitee is not entitled to indemnification or advancement of Expenses, as the case may be.

(c) If a determination shall have been made pursuant to Section 12(a) of this Agreement that Indemnitee is entitled to indemnification, the Company shall be bound by such determination in any judicial proceeding or arbitration commenced pursuant to this Section 14, absent (i) a misstatement by Indemnitee of a material fact, or an omission of a material fact necessary to make Indemnitee's statement not materially misleading, in connection with the request for indemnification, or (ii) a prohibition of such indemnification under applicable law.

(d) The Company shall, to the fullest extent not prohibited by law, be precluded from asserting in any judicial proceeding or arbitration commenced pursuant to this Section 14 that the procedures and presumptions of this Agreement are not valid, binding and enforceable and shall stipulate in any such court or before any such arbitrator that the Company is bound by all the provisions of this Agreement. It is the intent of the Company that, to the fullest extent permitted by law, the Indemnitee not be required to incur legal fees or other Expenses associated with the interpretation, enforcement or defense of Indemnitee's rights under this Agreement by litigation or otherwise because the cost and expense thereof would substantially detract from the benefits intended to be extended to the Indemnitee hereunder. The Company shall, to the fullest extent permitted by law, indemnify Indemnitee against any and all Expenses and, if requested by Indemnitee, shall (within ten (10) days after receipt by the Company of a written request therefor) advance, to the extent not prohibited by law, such Expenses to Indemnitee, which are incurred by Indemnitee in connection with any action brought by Indemnitee for indemnification or advance of Expenses from the Company under this Agreement or under any directors' and officers' liability insurance policies maintained by the Company if, in the case of indemnification, Indemnitee is wholly successful on the underlying claims; if Indemnitee is not wholly successful on the underlying claims, then such indemnification shall be only to the extent Indemnitee is successful on such underlying claims or otherwise as permitted by law, whichever is greater.

(e) Notwithstanding anything in this Agreement to the contrary, no determination as to entitlement of Indemnitee to indemnification under this Agreement shall be required to be made prior to the final disposition of the Proceeding.

Section 15. Non-exclusivity; Survival of Rights; Insurance; Subrogation.

(a) The rights of indemnification and to receive advancement of Expenses as provided by this Agreement shall not be deemed exclusive of any other rights to which Indemnitee may at any time be entitled under applicable law, the Certificate of Incorporation, the Bylaws, any agreement, a vote of stockholders or a resolution of directors, or otherwise. No amendment, alteration or repeal of this Agreement or of any provision hereof shall limit or restrict any right of Indemnitee under this Agreement in respect of any action taken or omitted by such Indemnitee in his Corporate Status prior to such amendment, alteration or repeal. To the extent that a change in Delaware law, whether by statute or judicial decision, permits greater indemnification or advancement of Expenses than would be afforded currently under the Certificate of Incorporation and this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change. No right or remedy herein conferred is intended to be exclusive of any other right or remedy, and every other right and remedy shall be cumulative and in addition to every other right and remedy given hereunder or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy hereunder, or otherwise, shall not prevent the concurrent assertion or employment of any other right or remedy.

(b) To the extent that the Company maintains an insurance policy or policies providing liability insurance for directors, officers, employees, or agents of the Enterprise, Indemnitee shall be covered by such policy or policies in accordance with its or their terms to the maximum extent of the coverage available for any such

director, officer, employee or agent under such policy or policies. If, at the time of the receipt of a notice of a claim pursuant to the terms hereof, the Company has director and officer liability insurance in effect, the Company shall give prompt notice of such claim or of the commencement of a Proceeding, as the case may be, to the insurers in accordance with the procedures set forth in the respective policies. The Company shall thereafter take all necessary or desirable action to cause such insurers to pay, on behalf of the Indemnitee, all amounts payable as a result of such Proceeding in accordance with the terms of such policies.

(c) In the event of any payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee [(other than any rights of recovery of Indemnitee from a Fund Indemnitor (as defined in Section 15(e) hereof) or under any insurance provided by the Fund or its affiliates)], who shall execute all papers required and take all action necessary to secure such rights, including execution of such documents as are necessary to enable the Company to bring suit to enforce such rights.

(d) [Except as provided for under Section 15(e) of this Agreement, the] The Company shall not be liable under this Agreement to make any payment of amounts otherwise indemnifiable (or for which advancement is provided hereunder) hereunder if and to the extent that Indemnitee has otherwise actually received such payment under any insurance policy, contract, agreement or otherwise.

(e) [The Company hereby acknowledges that Indemnitee has certain rights to indemnification, advancement of expenses and/or insurance provided by the Fund and certain of its affiliates (collectively, the "Fund Indemnitors"). The Company hereby agrees (i) that it is the indemnitor of first resort (i.e., its obligations to Indemnitee are primary and any obligation of the Fund Indemnitors to advance expenses or to provide indemnification for the same expenses or liabilities incurred by Indemnitee are secondary), (ii) that it shall be required to advance the full amount of Expenses incurred by Indemnitee and shall be liable for the full amount of all Expenses, judgments, penalties, fines and amounts paid in settlement to the extent legally permitted and as required by the Certificate of Incorporation or Bylaws (or any agreement between the Company and Indemnitee), without regard to any rights Indemnitee may have against the Fund Indemnitors, and, (iii) that it irrevocably waives, relinquishes and releases the Fund Indemnitors from any and all claims against the Fund Indemnitors for contribution, subrogation or any other recovery of any kind in respect thereof. The Company further agrees that no advancement or payment by the Fund Indemnitors on behalf of Indemnitee with respect to any claim for which Indemnitee has sought indemnification from the Company shall affect the foregoing and the Fund Indemnitors shall have a right of contribution and/or be subrogated to the extent of such advancement or payment to all of the rights of recovery of Indemnitee against the Company. The Company and Indemnitee agree that the Fund Indemnitors are express third party beneficiaries of the terms hereof.]

Section 16. Duration of Agreement. This Agreement shall continue until and terminate upon the later of: (a) ten (10) years after the date that Indemnitee shall have ceased to serve as a [director] [or] [officer] of the Company or (b) one (1) year after the final termination of any Proceeding then pending in respect of which Indemnitee is granted rights of indemnification or advancement of Expenses hereunder and of any proceeding commenced by Indemnitee pursuant to Section 14 of this Agreement [or by a Fund Indemnitor pursuant to Section 15(e) of this Agreement, in either case,] relating thereto. The indemnification and advancement of expenses rights provided by or granted pursuant to this Agreement shall be binding upon and be enforceable by the parties hereto and their respective successors and assigns (including any direct or indirect successor by purchase, merger, consolidation or otherwise to all or substantially all of the business or assets of the Company), shall continue as to an Indemnitee who has ceased to be a director, officer, employee or agent of the Company or of any other Enterprise, and shall inure to the benefit of Indemnitee and his or her spouse, assigns, heirs, devisees, executors and administrators and other legal representatives.

Section 17. Severability. If any provision or provisions of this Agreement shall be held to be invalid, illegal or unenforceable for any reason whatsoever: (a) 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; (b) 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 (c) 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.

Section 18. Enforcement.

(a) The Company expressly confirms and agrees that it has entered into this Agreement and assumed the obligations imposed on it hereby in order to induce Indemnitee to serve as a director or officer of the Company, and the Company acknowledges that Indemnitee is relying upon this Agreement in serving as a director or officer of the Company.

(b) This Agreement constitutes the entire agreement between the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings, oral, written and implied, between the parties hereto with respect to the subject matter hereof; provided, however, that this Agreement is a supplement to and in furtherance of the Certificate of Incorporation, the Bylaws and applicable law, and shall not be deemed a substitute therefor, nor to diminish or abrogate any rights of Indemnitee thereunder.

Section 19. Modification and Waiver. No supplement, modification or amendment of this Agreement shall be binding unless executed in writing by 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 of this Agreement nor shall any waiver constitute a continuing waiver.

Section 20. Notice by Indemnitee. Indemnitee agrees promptly to notify the Company in writing upon being served with any summons, citation, subpoena, complaint, indictment, information or other document relating to any Proceeding or matter which may be subject to indemnification or advancement of Expenses covered hereunder. The failure of Indemnitee to so notify the Company shall not relieve the Company of any obligation which it may have to the Indemnitee under this Agreement or otherwise.

Section 21. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if (a) delivered by hand and receipted for by the party to whom said notice or other communication shall have been directed, (b) mailed by certified or registered mail with postage prepaid, on the third business day after the date on which it is so mailed, (c) mailed by reputable overnight courier and receipted for by the party to whom said notice or other communication shall have been directed or (d) sent by facsimile transmission, with receipt of oral confirmation that such transmission has been received:

(a) If to Indemnitee, at the address indicated on the signature page of this Agreement, or such other address as Indemnitee shall provide to the Company.

(b) If to the Company to:

Novus Therapeutics, Inc.
19900 MacArthur Blvd., Suite 550
Irvine, CA 92612
Attention: Chief Financial Officer

or to any other address as may have been furnished to Indemnitee by the Company.

Section 22. Contribution. To the fullest extent permissible under applicable law, if the indemnification provided for in this Agreement is unavailable to Indemnitee for any reason whatsoever, the Company, in lieu of indemnifying Indemnitee, shall contribute to the amount incurred by Indemnitee, whether for judgments, fines, penalties, excise taxes, amounts paid or to be paid in settlement and/or for Expenses, in connection with any claim relating to an indemnifiable event under this Agreement, in such proportion as is deemed fair and reasonable in light of all of the circumstances of such Proceeding in order to reflect (i) the relative benefits received by the Company, on the one hand, and Indemnitee, on the other hand, as a result of the event(s) and/or transaction(s) giving cause to such Proceeding; and/or (ii) the relative fault of the Company (and its other directors, officers, employees and agents), on the one hand, and Indemnitee, on the other hand, in connection with such event(s) and/or transaction(s).

Section 23. Applicable Law and Consent to Jurisdiction. This Agreement and the legal relations among the parties shall be governed by, and construed and enforced in accordance with, the laws of the State of Delaware, without regard to its conflict of laws rules. Except with respect to any arbitration commenced by Indemnitee pursuant to Section 14(a) of this Agreement, the Company and Indemnitee hereby irrevocably and unconditionally (i) agree that any action or proceeding arising out of or in connection with this Agreement shall be brought only in the Delaware Court, and not in any other state or federal court in the United States of America or any court in any other country, (ii) consent to submit to the exclusive jurisdiction of the Delaware Court for purposes of any action or proceeding arising out of or in connection with this Agreement, (iii) appoint, to the extent such party is not otherwise subject to service of process in the State of Delaware, irrevocably the Corporation Trust Center as its agent in the State of Delaware as such party's agent for acceptance of legal process in connection with any such action or proceeding against such party with the same legal force and validity as if served upon such party personally within the State of Delaware, (iv) waive any objection to the laying of venue of any such action or proceeding in the Delaware Court, and (v) waive, and agree not to plead or to make, any claim that any such action or proceeding brought in the Delaware Court has been brought in an improper or inconvenient forum.

Section 24. Identical Counterparts. This Agreement may be executed in one or more counterparts, each of which shall for all purposes be deemed to be an original but all of which together shall constitute one and the same Agreement. Only one such counterpart signed by the party against whom enforceability is sought needs to be produced to evidence the existence of this Agreement.

Section 25. Miscellaneous. Use of the masculine pronoun shall be deemed to include usage of the feminine pronoun where appropriate. The headings of this Agreement are inserted for convenience only and shall not be deemed to constitute part of this Agreement or to affect the construction thereof.

[*The remainder of this page is intentionally left blank.*]

The parties executed this Agreement as of the day and year first set forth above.

NOVUS THERAPEUTICS, INC.

By: _____
Name:
Office:

INDEMNITEE

_____
Name:

Address: _____
_____
_____

LEASE

BETWEEN

THE IRVINE COMPANY LLC

AND

OTIC PHARMA, INC.

LEASE
(Short Form)

THIS LEASE is made as of September 2, 2015, by and between **THE IRVINE COMPANY LLC,** a Delaware limited liability company, hereafter called "**Landlord**," and **OTIC PHARMA, INC.**, a Delaware corporation, hereafter called "**Tenant**."

ARTICLE 1. BASIC LEASE PROVISIONS

Each reference in this Lease to the "**Basic Lease Provisions**" shall mean and refer to the following collective terms, the application of which shall be governed by the provisions in the remaining Articles of this Lease.

1. **Tenant's Trade Name:** N/A

2. **Premises:** Suite No. 550
   Address of Building: 19900 MacArthur Boulevard, Irvine, CA 92612
   Project Description: Newport Gateway

   (The Premises are more particularly described in Section 2.1).

3. **Use of Premises**: General office and for no other use.

4. **Estimated Commencement Date**: September 1, 2015

5. **Lease Term**: 36 months, plus such additional days as may be required to cause this Lease to expire on the final day of the calendar month.

6. **Basic Rent**:

Months of Term or Period	Monthly Rate Per Rentable Square Foot	Monthly Basic Rent (rounded to the nearest dollar)
1 to 12	$ 2.50	$ 12,782.00
13 to 24	$ 2.61	$ 13,345.00
25 to 36	$ 2.73	$ 13,958.00

7. **Property Tax Base**: The Property Taxes per rentable square foot incurred by Landlord and attributable to the twelve month period ending June 30, 2016 (the "**Base Year**").

   Project Cost Base: The Project Costs per rentable square foot incurred by Landlord and attributable to the Base Year.

   Expense Recovery Period: Every twelve month period during the Term (or portion thereof during the first and last Lease years) ending June 30.

8. **Floor Area of Premises**: approximately 5,113 rentable square feet (Landlord and Tenant stipulate and agree that the Floor Area of Premises is correct).

   Floor Area of Building: approximately 275,703 rentable square feet

9. **Security Deposit**: $54,265.00, as more fully described in Section 4.3 of this Lease

Guarantor(s): OTIC PHARMA LTD, an Israel company. Concurrent with Tenant's execution and delivery of this Lease, Tenant shall cause each Guarantor, if any, to execute and deliver a guarantee in favor of Landlord on a form provided by Landlord.

10. **Broker(s)**: Irvine Realty Company ("**Landlord's Broker**") is the agent of Landlord exclusively and CBRE, Inc./Newport Beach ("**Tenant's Broker**") is the agent of Tenant exclusively.

11. **Parking**: up to 17 parking passes in accordance with the provisions set forth in **Exhibit F** to this Lease.

12. **Address for Payments and Notices:**

LANDLORD	**TENANT**
Payment Address: THE IRVINE COMPANY LLC PO Box #846333 Los Angeles, CA 90084-6333	OTIC PHARMA, INC. 19900 MacArthur Boulevard, Suite 550 Irvine, CA 92612 Attn: Michael Cruse

Notice Address:

THE IRVINE COMPANY LLC
19900 MacArthur Boulevard, Suite 100
Irvine, CA, 92612
Attn: Property Manager

with a copy of notices to:

THE IRVINE COMPANY LLC
550 Newport Center Drive
Newport Beach, CA 92660
Attn: Senior Vice President, Property Operations
Irvine Office Properties

13. **List of Lease Exhibits** (all exhibits, riders and addenda attached to this Lease are hereby incorporated into and made a part of this Lease):

Exhibit A	Description of Premises
Exhibit B	Operating Expenses
Exhibit C	Utilities and Services
Exhibit D	Tenant's Insurance
Exhibit E	Rules and Regulations
Exhibit F	Parking
Exhibit G	Additional Provisions
Exhibit X	Work Letter

ARTICLE 2. PREMISES

2.1. **LEASED PREMISES**. Landlord leases to Tenant and Tenant leases from Landlord the Premises shown in **Exhibit A** (the "**Premises**"), containing approximately the floor area set forth in Item 8 of the Basic Lease Provisions (the "**Floor Area**"). The Premises are located in the building identified in Item 2 of the Basic Lease Provisions (the "**Building**"), which is a portion of the project described in Item 2 (the "**Project**").

2.2. **ACCEPTANCE OF PREMISES**. Tenant acknowledges that neither Landlord nor any representative of Landlord has made any representation or warranty with respect to the Premises, the Building or the Project or the suitability or fitness of either for any purpose, except as set forth in this Lease. The taking of possession or use of the Premises by Tenant for any purpose other than construction shall conclusively establish that the Premises and the Building were in satisfactory condition and in conformity with the provisions of this Lease in all respects. Nothing contained in this Section 2.2 shall affect the commencement of the Term or the obligation of Tenant to pay rent.

ARTICLE 3. TERM

3.1. **GENERAL**. The term of this Lease ("**Term**") shall commence ("**Commencement Date**") on the earlier of (a) the date the Premises are deemed "ready for occupancy" (as hereinafter defined) and possession thereof is delivered to Tenant, or (b) the date Tenant commences its business activities within the Premises and shall expire ("**Expiration Date**") at the end of the period set forth in Item 5 of the Basic Lease Provisions. Promptly following request by Landlord, the parties shall memorialize on a form provided by Landlord (the "**Commencement Memorandum**") the actual Commencement Date and the Expiration Date of this Lease; should Tenant fail to execute and return the Commencement Memorandum to Landlord within 5 business days (or provide specific written objections thereto within that period), then Landlord's determination of the Commencement and Expiration Dates as set forth in the Commencement Memorandum shall be conclusive. The Premises shall be deemed "**ready for occupancy**" if and when Landlord, to the extent applicable, (i) has substantially completed all the work required to be completed by Landlord pursuant to the Work Letter (if any) attached to this Lease but for minor punch list matters, and has obtained the requisite governmental approvals for Tenant's occupancy in connection with such work, (ii) has provided reasonable access to the Premises for Tenant so that the Premises may be used without unreasonable interference, and (iii) has put into operation all building services required to be provided by Landlord under this Lease and essential for the use of the Premises by Tenant.

3.2. **DELAY IN POSSESSION**. If Landlord, for any reason whatsoever, cannot deliver possession of the Premises to Tenant on or before the Commencement Date set forth in Item 4 of the Basic Lease Provisions, this Lease shall not be void or voidable nor shall Landlord be liable to Tenant for any resulting loss or damage. However, Tenant shall not be liable for any rent until the Commencement Date occurs as provided in Section 3.1 above, except that if Landlord's failure to substantially complete all work required of Landlord pursuant to Section 3.1(i) above is attributable to any action or inaction by Tenant (including without limitation any Tenant Delay described in the Work Letter, if any, attached to this Lease), then the Premises shall be deemed ready for occupancy, and Landlord shall be entitled to full performance by Tenant (including the payment of rent), as of the date Landlord would have been able to substantially complete such work and deliver the Premises to Tenant but for Tenant's delay(s).

ARTICLE 4. RENT AND OPERATING EXPENSES

4.1. **BASIC RENT**. From and after the Commencement Date, Tenant shall pay to Landlord without deduction or offset a Basic Rent for the Premises in the total amount shown (including subsequent adjustments, if any) in Item 6 of the Basic Lease Provisions (the "**Basic Rent**"). If the Commencement Date is other than the first day of a calendar month, any rental adjustment

shown in Item 6 shall be deemed to occur on the first day of the next calendar month following the specified monthly anniversary of the Commencement Date. The Basic Rent shall be due and payable in advance commencing on the Commencement Date and continuing thereafter on the first day of each successive calendar month of the Term, as prorated for any partial month. No demand, notice or invoice shall be required. An installment in the amount of 1 full month's Basic Rent at the initial rate specified in Item 6 of the Basic Lease Provisions shall be delivered to Landlord concurrently with Tenant's execution of this Lease.

4.2. **OPERATING EXPENSES**. Tenant shall pay Tenant's Share of Operating Expenses in accordance with **Exhibit B** of this Lease.

4.3. **SECURITY DEPOSIT**. Concurrently with Tenant's delivery of this Lease, Tenant shall deposit with Landlord the sum, if any, stated in Item 9 of the Basic Lease Provisions (the "**Security Deposit**"), to be held by Landlord as security for the full and faithful performance of Tenant's obligations under this Lease, to pay any rental sums, including without limitation such additional rent as may be owing under any provision hereof, and to maintain the Premises as required by this Lease. Upon any breach of the foregoing obligations by Tenant, Landlord may apply all or part of the Security Deposit as full or partial compensation. If any portion of the Security Deposit is so applied, Tenant shall within 5 business days after written demand by Landlord deposit cash with Landlord in an amount sufficient to restore the Security Deposit to its original amount. Landlord shall not be required to keep this Security Deposit separate from its general funds, and Tenant shall not be entitled to interest on the Security Deposit. In no event may Tenant utilize all or any portion of the Security Deposit as a payment toward any rental sum due under this Lease. Any unapplied balance of the Security Deposit shall be returned to Tenant or, at Landlord's option, to the last assignee of Tenant's interest in this Lease if Tenant consents to the same within 30 days following the termination of this Lease and Tenant's vacation of the Premises. Tenant hereby waives the provisions of Section 1950.7 of the California Civil Code, or any similar or successor laws now or hereafter in effect. Notwithstanding the foregoing, the Security Deposit may be reduced in one of the following manner: (a) Tenant has achieved a cash balance of at least $12,000,000.00 as evidenced by Tenant's audited financial statements in which case the Security Deposit shall be reduced to $15,354.00 or (b) Landlord shall reduce the Security Deposit in the amounts of $12,783.00 as of the first day of the 6th full calendar month following the Commencement Date of this Lease, $12,783.00 as of the first day of the 12th full calendar month following the Commencement Date of this Lease, and $13,345.00 as of the first day of the 18th full calendar month following the Commencement Date of this Lease (each (a) and (b) shall be the "**Security Reduction**"). Tenant's Security Reduction is conditioned upon the following (i) Tenant shall provide Landlord with written notice requesting the Security Deposit be reduced as provided above (the "**Security Reduction Notice**") and (ii) Tenant has not been in Default hereunder. If Tenant is entitled to a Security Reduction, then Landlord shall credit any applicable portion of the Security Reduction against the Basic Rent next due hereunder.

ARTICLE 5. USES

5.1. **USE**. Tenant shall use the Premises only for the purposes stated in Item 3 of the Basic Lease Provisions and for no other use whatsoever. Tenant shall not do or permit anything to be done in or about the Premises which will in any way interfere with the rights or quiet enjoyment of other occupants of the Building or the Project, or use or allow the Premises to be used for any unlawful purpose, nor shall Tenant permit any nuisance in the Premises or the Project. Tenant shall comply at its expense with all present and future laws, ordinances and requirements of all governmental authorities that pertain to Tenant or its use of the Premises, and with all energy usage reporting requirements of Landlord. As of the date of this Lease, there has been no inspection of the Building and Project by a Certified Access Specialist as referenced in Section 1938 of the California Civil Code. As of the date hereof, Landlord has not received notice from any governmental agencies that the Building is in violation of Title III of the Americans with Disabilities Act.

5.2. **SIGNS**. Landlord shall affix and maintain a sign (restricted solely to Tenant's name as set forth herein or such other name as Landlord may consent to in writing) adjacent to the entry door of the Premises, together with a directory strip listing Tenant's name as set forth herein in the lobby directory of the Building. Tenant shall not place or allow to be placed any other sign, decoration or advertising matter of any kind that is visible from the exterior of the Premises.

5.3. **HAZARDOUS MATERIALS.** Tenant shall not generate, handle, store or dispose of hazardous or toxic materials (as such materials may be identified in any federal, state or local law or regulation) in the Premises or Project without the prior written consent of Landlord. Tenant acknowledges that it has read, understands and, if applicable, shall comply with the provisions of **Exhibit H** to this Lease, if that Exhibit is attached.

ARTICLE 6. LANDLORD SERVICES

6.1. **UTILITIES AND SERVICES**. Landlord and Tenant shall be responsible to furnish those utilities and services to the Premises to the extent provided in **Exhibit C**, subject to the conditions and payment obligations and standards set forth in this Lease. Landlord's failure to furnish, or any interruption, diminishment or termination of, services due to the application of laws, the failure of any equipment, the performance of repairs, improvements or alterations, utility interruptions or the occurrence of an event of force majeure (defined in Section 20.8) shall not render Landlord liable to Tenant, constitute a constructive eviction of Tenant, give rise to an abatement of Rent, nor relieve Tenant from the obligation to fulfill any covenant or agreement.

6.2. **OPERATION AND MAINTENANCE OF COMMON AREAS**. During the Term, Landlord shall operate all Common Areas within the Building and the Project in a first class manner. The term "**Common Areas**" shall mean all areas within the Building, Project and other buildings in the Project which are not held for exclusive use by persons entitled to occupy space.

6.3. **USE OF COMMON AREAS**. The occupancy by Tenant of the Premises shall include the use of the Common Areas in common with Landlord and with all others for whose convenience and use the Common Areas may be provided by Landlord, subject, however, to compliance with Rules and Regulations described in Article 17 below. Landlord shall at all times during the Term have exclusive control of the Common Areas, and may restrain or permit any use or occupancy. Landlord may temporarily close any portion of the Common Areas for repairs, remodeling and/or alterations, to prevent a public dedication or the accrual of prescriptive rights, or for any other reasonable purpose.

ARTICLE 7. REPAIRS AND MAINTENANCE

7.1. **TENANT'S MAINTENANCE AND REPAIR**. Subject to Articles 11 and 12, Tenant at its sole expense shall make all repairs necessary to keep the Premises and all improvements and fixtures therein in good condition and repair, excepting ordinary wear and tear. Tenant's maintenance obligation shall include without limitation all appliances, interior glass, doors, door closures, hardware, fixtures, electrical, plumbing, fire extinguisher equipment and other equipment installed in the Premises, together with any supplemental HVAC equipment servicing only the Premises. Should Landlord or its management agent agree to make a repair on behalf of Tenant and at Tenant's request, Tenant shall promptly reimburse Landlord as additional rent for all reasonable costs incurred (including the standard supervision fee) upon submission of an invoice.

7.2. **LANDLORD'S MAINTENANCE AND REPAIR**. Subject to Articles 11 and 12, Landlord shall provide service, maintenance and repair with respect to the heating, ventilating and air conditioning ("**HVAC**") equipment of the Building (exclusive of any supplemental HVAC equipment servicing only the Premises) and shall maintain in good repair the Common Areas, roof, foundations, footings, the exterior surfaces of the exterior walls of the Building (including exterior glass), and the structural, electrical, mechanical and plumbing systems of the Building (including elevators, if any, serving the Building), except to the extent provided in Section 7.1

above. Notwithstanding any provision of the California Civil Code or any similar or successor laws to the contrary, Tenant understands that it shall not make repairs at Landlord's expense or by rental offset. Except as provided in Section 11.1 and Article 12 below, there shall be no abatement of rent and no liability of Landlord by reason of any injury to or interference with Tenant's business arising from the making of any repairs, alterations or improvements to any portion of the Building, including repairs to the Premises, nor shall any related activity by Landlord constitute an actual or constructive eviction. Tenant hereby waives any and all rights under and benefits of subsection 1 of Section 1932, and Sections 1941 and 1942 of the California Civil Code, or any similar or successor laws now or hereafter in effect.

7.3. **ALTERATIONS**. Tenant shall make no alterations, additions, or improvements (collectively referred to as "**Alterations**") to the Premises without the prior written consent of Landlord which consent shall not be unreasonably withheld or delayed. Landlord may impose, as a condition to its consent, any requirements that Landlord in its discretion may deem reasonable or desirable. Tenant shall use Landlord's designated mechanical and electrical contractors, obtain all required permits for the Alterations and shall perform the work in compliance with all applicable laws, regulations and ordinances with contractors reasonably acceptable to Landlord. Except for cosmetic Alterations not requiring a permit, Landlord shall be entitled to a supervision fee in the amount of 5% of the cost of the Alterations. Landlord may elect to cause its architect to review Tenant's architectural plans, and the reasonable cost of that review shall be reimbursed by Tenant. Should the Alterations proposed by Tenant and consented to by Landlord change the floor plan of the Premises, then Tenant shall, at its expense, furnish Landlord with as-built drawings and CAD disks compatible with Landlord's systems. Unless Landlord otherwise agrees in writing, all Alterations affixed to the Premises, including without limitation all Tenant Improvements constructed pursuant to the Work Letter (except as otherwise provided in the Work Letter), but excluding moveable trade fixtures and furniture, shall become the property of Landlord and shall be surrendered with the Premises at the end of the Term, except that Landlord may, by notice to Tenant given at least 30 days prior to the Expiration Date, require Tenant to remove by the Expiration Date, or sooner termination date of this Lease, all or any Alterations (including without limitation all telephone and data cabling) installed either by Tenant or by Landlord at Tenant's request (collectively, the "**Required Removables**"). In connection with its removal of Required Removables, Tenant shall repair any damage to the Premises arising from that removal and shall restore the affected area to its preexisting condition, reasonable wear and tear excepted.

7.4. **MECHANIC'S LIENS**. Tenant shall keep the Premises free from any liens arising out of any work performed, materials furnished, or obligations incurred by or for Tenant. In the event that Tenant shall not, within 15 days following the imposition of any lien, cause the lien to be released of record by payment or posting of a proper bond in accordance with California Civil Code Section 8424 or any successor statute, Landlord shall have, in addition to all other available remedies, the right to cause the lien to be released by any means it deems proper, including payment of or defense against the claim giving rise to the lien. All expenses so incurred by Landlord shall be reimbursed by Tenant promptly following Landlord's demand. Tenant shall give Landlord no less than 20 days' prior notice in writing before commencing construction of any kind on the Premises.

7.5. **ENTRY AND INSPECTION**. Landlord shall at all reasonable times and with reasonable prior verbal notice, except in emergencies or to provide Building services, have the right to enter the Premises to inspect them, to supply services in accordance with this Lease, to make repairs and renovations as reasonably deemed necessary by Landlord, and to submit the Premises to prospective or actual purchasers or encumbrance holders (or, during the final twelve months of the Term or when an uncured Default exists, to prospective tenants), all without being deemed to have caused an eviction of Tenant and without abatement of rent except as provided elsewhere in this Lease; provided, however, that in making repairs, alterations or improvements, Landlord shall, if such work would adversely affect Tenant's use and occupancy, give reasonable notice and interfere as little as reasonably practicable with the conduct of Tenant's business in the Premises.

ARTICLE 8. SPACE PLANNING AND SUBSTITUTION

Landlord shall have the right, upon providing not less than 60 days written notice, to move Tenant to other space of comparable size in the Building or in the Project on or above the 4th floor. The new space shall be provided with improvements of comparable quality to those within the Premises. The total monthly Basic Rent for the new space shall in no event exceed the total monthly Basic Rent for the Premises prior to the relocation and Tenant's Share for the new space shall in no event exceed Tenant's Share for the Premises prior to the relocation. Landlord shall pay the reasonable out-of-pocket costs to relocate and reconnect Tenant's personal property and equipment within the new space. Landlord shall also reimburse Tenant for such other reasonable out-of-pocket costs that Tenant may incur in connection with the relocation. Within 10 days following request by Landlord, Tenant shall execute an amendment to this Lease prepared by Landlord to memorialize the relocation. Notwithstanding the foregoing, if Landlord provides Tenant with a notice of relocation and Tenant, in its reasonable judgment, determines that the new space is not of reasonably comparable size and utility when compared to the Premises, Tenant shall have the right to terminate this Lease by giving written notice of termination to Landlord within 10 days after the date of Landlord's notice of relocation to Tenant. Tenant's notice of termination shall set forth the reasons why Tenant believes the new space is not comparable to the Premises. Such termination shall be effective 60 days after the date of Landlord's notice of relocation, provided that Landlord, within 10 days after receipt of Tenant's notice of termination, shall have the right to withdraw its notice of relocation. In such event, this Lease shall continue in full force and effect as if Landlord had never provided Tenant with a notice of relocation.

ARTICLE 9. ASSIGNMENT AND SUBLETTING

9.1. **RIGHTS OF PARTIES**. Tenant shall not, directly or indirectly, assign, sublease, transfer or encumber any interest in this Lease or allow any third party to use any portion of the Premises (collectively or individually, a "**Transfer**") without the prior written consent of Landlord, which consent shall not be unreasonably withheld if Landlord does not exercise its recapture rights. Tenant agrees that it is not unreasonable for Landlord to withhold consent to a Transfer to a proposed assignee or subtenant who is an existing tenant or occupant of the Building or Project or to a prospective tenant with whom Landlord or Landlord's affiliate has been actively negotiating within the prior 6 months. Within 20 days after receipt of executed copies of the transfer documentation and such other information as Landlord may request, Landlord shall either: (a) consent to the Transfer by execution of a consent agreement in a form reasonably designated by Landlord; (b) refuse to consent to the Transfer; or (c) recapture the portion of the Premises that Tenant is proposing to Transfer. Tenant hereby waives the provisions of Section 1995.310 of the California Civil Code, or any similar or successor Laws, now or hereinafter in effect, and all other remedies, including, without limitation, any right at law or equity to terminate this Lease, on its own behalf and, to the extent permitted under all applicable laws, on behalf of the proposed transferee. In no event shall any Transfer release or relieve Tenant from any obligation under this Lease, as same may be amended. Tenant shall pay Landlord a review fee of $1,000.00 for Landlord's review of any requested Transfer. Tenant shall pay Landlord, as additional Rent, 50% of all rent and other consideration which Tenant receives as a result of a Transfer that is in excess of the Rent payable to Landlord for the portion of the Premises and Term covered by the Transfer. If Tenant is in Default, Landlord may require that all sublease payments be made directly to Landlord, in which case Tenant shall receive a credit against Rent in the amount of Tenant's share of payments received by Landlord.

9.2. **PERMITTED TRANSFER**. Notwithstanding the foregoing, Tenant may assign this Lease to a successor to Tenant by merger, consolidation or the purchase of substantially all of Tenant's assets, or assign this Lease or sublet all or a portion of the Premises to an Affiliate (defined below), without the consent of Landlord, provided that all of the following conditions are satisfied (a "**Permitted Transfer**"): (i) Tenant is not then in Default hereunder; (ii) Tenant gives Landlord confidential written notice prior to such Permitted Transfer; and (iii) the successor entity resulting from any merger or consolidation of Tenant or the sale of all or substantially all of the assets of Tenant, has a net worth at the time of the Permitted Transfer that is at least equal to the net worth

of Tenant immediately before the Permitted Transfer. "**Affiliate**" shall mean an entity controlled by, controlling or under common control with Tenant.

ARTICLE 10. INSURANCE AND INDEMNITY

10.1. **TENANT'S INSURANCE**. Tenant, at its sole cost and expense, shall provide and maintain in effect the insurance described in **Exhibit D**. Evidence of that insurance must be delivered to Landlord prior to the Commencement Date.

10.2. **TENANT'S INDEMNITY**. To the fullest extent permitted by law, but subject to Section 10.4 below, Tenant shall defend, indemnify and hold harmless Landlord and Landlord's agents, employees, lenders, and affiliates, from and against any and all negligence, claims, liabilities, damages, costs or expenses arising either before or after the Commencement Date which arise from or are caused by Tenant's use or occupancy of the Premises, the Building or the Common Areas of the Project, or from the conduct of Tenant's business, or from any activity, work, or thing done, permitted or suffered by Tenant or Tenant's agents, employees, subtenants, vendors, contractors, invitees or licensees in or about the Premises, the Building or the Common Areas of the Project, or from any Default in the performance of any obligation on Tenant's part to be performed under this Lease, or from any act, omission or negligence on the part of Tenant or Tenant's agents, employees, subtenants, vendors, contractors, invitees or licensees. Landlord may, at its option, require Tenant to assume Landlord's defense in any action covered by this Section 10.2 through counsel reasonably satisfactory to Landlord. Notwithstanding the foregoing, Tenant shall not be obligated to indemnify Landlord against any liability or expense to the extent it is ultimately determined that the same was caused by the sole negligence or willful misconduct of Landlord, its agents, contractors or employees.

10.3. **LANDLORD'S NONLIABILITY**. Landlord shall not be liable to Tenant, its employees, agents and invitees, and Tenant hereby waives all claims against Landlord, its employees and agents for loss of or damage to any property, or any injury to any person, resulting from any condition including, but not limited to, acts or omissions (criminal or otherwise) of third parties and/or other tenants of the Project, or their agents, employees or invitees, fire, explosion, falling plaster, steam, gas, electricity, water or rain which may leak or flow from or into any part of the Premises or from the breakage, leakage, obstruction or other defects of the pipes, sprinklers, wires, appliances, plumbing, air conditioning, electrical works or other fixtures in the Building, whether the damage or injury results from conditions arising in the Premises or in other portions of the Building, regardless of the negligence of Landlord, its agents or any and all affiliates of Landlord in connection with the foregoing. Notwithstanding anything to the contrary contained in this Lease, in no event shall Landlord be liable for Tenant's loss or interruption of business or income (including without limitation, Tenant's consequential damages, lost profits or opportunity costs), or for interference with light or other similar intangible interests.

10.4. **WAIVER OF SUBROGATION**. Landlord and Tenant each hereby waives all rights of recovery against the other on account of loss and damage occasioned to the property of such waiving party to the extent that the waiving party is entitled to proceeds for such loss and damage under any property insurance policies carried or otherwise required to be carried by this Lease; provided however, that the foregoing waiver shall not apply to the extent of Tenant's obligation to pay deductibles under any such policies and this Lease.

ARTICLE 11. DAMAGE OR DESTRUCTION

11.1. **RESTORATION**.

(a) If the Building of which the Premises are a part is damaged as the result of an event of casualty, then subject to the provisions below, Landlord shall repair that damage as soon as reasonably possible unless Landlord reasonably determines that: (i) the Premises have been materially damaged and there is less than 1 year of the Term remaining on the date of the casualty; (ii) any Mortgagee

(defined in Section 13.1) requires that the insurance proceeds be applied to the payment of the mortgage debt; or (iii) proceeds necessary to pay the full cost of the repair are not available from Landlord's insurance, including without limitation earthquake insurance. Should Landlord elect not to repair the damage for one of the preceding reasons, Landlord shall so notify Tenant in the "Casualty Notice" (as defined below), and this Lease shall terminate as of the date of delivery of that notice.

(b) As soon as reasonably practicable following the casualty event but not later than 60 days thereafter, Landlord shall notify Tenant in writing ("**Casualty Notice**") of Landlord's election, if applicable, to terminate this Lease. If this Lease is not so terminated, the Casualty Notice shall set forth the anticipated period for repairing the casualty damage. If the anticipated repair period exceeds 270 days and if the damage is so extensive as to reasonably prevent Tenant's substantial use and enjoyment of the Premises, then either party may elect to terminate this Lease by written notice to the other within 10 days following delivery of the Casualty Notice. If Tenant was entitled to but elected not to exercise its right to terminate the Lease and Landlord does not substantially complete the repair and restoration of the Premises within 2 months after expiration of the estimated period of time set forth in the Casualty Notice, which period shall be extended to the extent of any Reconstruction Delays (defined below), then Tenant may terminate this Lease by written notice to Landlord within 15 days after the expiration of such period, as the same may be extended. For purposes of this Lease, the term "**Reconstruction Delays**" shall mean: (i) any delays caused by the insurance adjustment process; (ii) any delays caused by Tenant; and (iii) any delays caused by events of force majeure.

(c) In the event that neither Landlord nor Tenant terminates this Lease pursuant to Section 11.1(b), Landlord shall repair all material damage to the Premises or the Building as soon as reasonably possible and this Lease shall continue in effect for the remainder of the Term. Upon notice from Landlord, Tenant shall assign or endorse over to Landlord (or to any party designated by Landlord) all property insurance proceeds payable to Tenant under Tenant's insurance with respect to any Alterations. Within 15 days of demand, Tenant shall also pay Landlord for any additional excess costs that are determined during the performance of the repairs to such Alterations. However, notwithstanding the foregoing, if Tenant has maintained the insurance required to be maintained by Tenant pursuant to the terms of **Exhibit D** of this Lease throughout the Term, and if the proceeds from the insurance required to be maintained by Tenant with respect to the Alterations have been paid to Landlord prior to Landlord commencing repair of the Alterations, then Landlord agrees Tenant shall not be required to pay any deficiency between the estimated or actual Alteration repair costs and the insurance proceeds received by Landlord from Tenant's insurance until after substantial completion of the repairs to the Alterations, and such sums shall be payable by Tenant within 15 days after demand of Landlord.

(d) From and after the casualty event, the rental to be paid under this Lease shall be abated in the same proportion that the Floor Area of the Premises that is rendered unusable by the damage from time to time bears to the total Floor Area of the Premises.

(e) Notwithstanding the provisions of subsections (a), (b) and (c) of this Section 11.1, but subject to Section 10.4, the cost of any repairs shall be borne by Tenant, and Tenant shall not be entitled to rental abatement or termination rights, if the damage is due to the fault or neglect of Tenant or its employees, subtenants, contractors, invitees or representatives.

11.2. LEASE GOVERNS. Tenant agrees that the provisions of this Lease, including without limitation Section 11.1, shall govern any damage or destruction and shall accordingly supersede any contrary statute or rule of law.

ARTICLE 12. EMINENT DOMAIN

Either party may terminate this Lease if any material part of the Premises is taken or condemned for any public or quasi-public use under Law, by eminent domain or private purchase in lieu thereof (a "**Taking**"). Landlord shall also have the right to terminate this Lease if there is a Taking of any portion of the Building or Project which would have a material adverse effect on Landlord's ability to profitably operate the remainder of the Building. The termination shall be effective as of the effective date of any

order granting possession to, or vesting legal title in, the condemning authority. All compensation awarded for a Taking shall be the property of Landlord. Tenant agrees that the provisions of this Lease shall govern any Taking and shall accordingly supersede any contrary statute or rule of law.

ARTICLE 13. SUBORDINATION; ESTOPPEL CERTIFICATE

13.1. **SUBORDINATION**. Tenant accepts this Lease subject and subordinate to any mortgage(s), deed(s) of trust, ground lease(s) or other lien(s) now or subsequently arising upon the Premises, the Building or the Project, and to renewals, modifications, refinancings and extensions thereof (collectively referred to as a "**Mortgage**"). The party having the benefit of a Mortgage shall be referred to as a "**Mortgagee**." This clause shall be self-operative, but upon request from a Mortgagee, Tenant shall execute a commercially reasonable subordination and attornment agreement in favor of the Mortgagee, provided such agreement provides a non-disturbance covenant benefitting Tenant. Alternatively, a Mortgagee shall have the right at any time to subordinate its Mortgage to this Lease. Upon request, Tenant, without charge, shall attorn to any successor to Landlord's interest in this Lease in the event of a foreclosure of any mortgage. Tenant agrees that any purchaser at a foreclosure sale or lender taking title under a deed in lieu of foreclosure shall not be responsible for any act or omission of a prior landlord, shall not be subject to any offsets or defenses Tenant may have against a prior landlord, and shall not be liable for the return of the Security Deposit not actually recovered by such purchaser nor bound by any rent paid in advance of the calendar month in which the transfer of title occurred; provided that the foregoing shall not release the applicable prior landlord from any liability for those obligations. Tenant acknowledges that Landlord's Mortgagees and their successors-in-interest are intended third party beneficiaries of this Section 13.1.

13.2. **ESTOPPEL CERTIFICATE**. Tenant shall, within 10 business days after receipt of a written request from Landlord, execute and deliver a commercially reasonable estoppel certificate in favor of those parties as are reasonably requested by Landlord (including a Mortgagee or a prospective purchaser of the Building or the Project).

ARTICLE 14. DEFAULTS AND REMEDIES

14.1. **TENANT'S DEFAULTS**. In addition to any other event of default set forth in this Lease, the occurrence of any one or more of the following events shall constitute a "**Default**" by Tenant:

(a) The failure by Tenant to make any payment of Rent required to be made by Tenant, as and when due, where the failure continues for a period of 5 business days after written notice from Landlord to Tenant. The term "**Rent**" as used in this Lease shall be deemed to mean the Basic Rent and all other sums required to be paid by Tenant to Landlord pursuant to the terms of this Lease.

(b) Except where a specific time period is otherwise set forth for Tenant's performance in this Lease (in which event the failure to perform by Tenant within such time period shall be a Default), the failure or inability by Tenant to observe or perform any of the covenants or provisions of this Lease to be observed or performed by Tenant, other than as specified in any other subsection of this Section 14.1, where the failure continues for a period of 30 days after written notice from Landlord to Tenant.

The notice periods provided herein are in lieu of, and not in addition to, any notice periods provided by law, and Landlord shall not be required to give any additional notice under California Code of Civil Procedure Section 1161, or any successor statute, in order to be entitled to commence an unlawful detainer proceeding.

14.2. **LANDLORD'S REMEDIES**.

(a) Upon the occurrence of any Default by Tenant, then in addition to any other remedies available to Landlord, Landlord may exercise the following remedies:

(i) Landlord may terminate Tenant's right to possession of the Premises by any lawful means, in which case this Lease shall terminate and Tenant shall immediately surrender possession of the Premises to Landlord. Such termination shall not affect any accrued obligations of Tenant under this Lease. Upon termination, Landlord shall have the right to reenter the Premises and remove all persons and property. Landlord shall also be entitled to recover from Tenant:

(1) The worth at the time of award of the unpaid Rent which had been earned at the time of termination;

(2) The worth at the time of award of the amount by which the unpaid Rent which would have been earned after termination until the time of award exceeds the amount of such loss that Tenant proves could have been reasonably avoided;

(3) The worth at the time of award of the amount by which the unpaid Rent for the balance of the Term after the time of award exceeds the amount of such loss that Tenant proves could be reasonably avoided;

(4) Any other amount necessary to compensate Landlord for all the detriment proximately caused by Tenant's failure to perform its obligations under this Lease or which in the ordinary course of things would be likely to result from Tenant's default, including, but not limited to, the cost of recovering possession of the Premises, commissions and other expenses of reletting, including necessary repair, renovation, improvement and alteration of the Premises for a new tenant, reasonable attorneys' fees, and any other reasonable costs; and

(5) At Landlord's election, all other amounts in addition to or in lieu of the foregoing as may be permitted by law. Any sum, other than Basic Rent, shall be computed on the basis of the average monthly amount accruing during the 24 month period immediately prior to Default, except that if it becomes necessary to compute such rental before the 24 month period has occurred, then the computation shall be on the basis of the average monthly amount during the shorter period. As used in subparagraphs (1) and (2) above, the "worth at the time of award" shall be computed by allowing interest at the rate of 10% per annum. As used in subparagraph (3) above, the "worth at the time of award" shall be computed by discounting the amount at the discount rate of the Federal Reserve Bank of San Francisco at the time of award plus 1%.

(ii) Employ the remedy described in California Civil Code § 1951.4 (Landlord may continue this Lease in effect after Tenant's breach and abandonment and recover Rent as it becomes due, if Tenant has the right to sublet or assign, subject only to reasonable limitations).

(b) The various rights and remedies reserved to Landlord in this Lease or otherwise shall be cumulative and, except as otherwise provided by California law, Landlord may pursue any or all of its rights and remedies at the same time. No delay or omission of Landlord to exercise any right or remedy shall be construed as a waiver of the right or remedy or of any breach or Default by Tenant. The acceptance by Landlord of rent shall not be a (i) waiver of any preceding breach or Default by Tenant of any provision of this Lease, other than the failure of Tenant to pay the particular rent accepted, regardless of Landlord's knowledge of the preceding breach or Default at the time of acceptance of rent, or (ii) a waiver of Landlord's right to exercise any remedy available to Landlord by virtue of the breach or Default. No payment by Tenant or receipt by Landlord of a lesser amount than the rent required by this Lease shall be deemed to be other than a partial payment on account of the earliest due stipulated rent, nor shall any endorsement or statement on any check or letter be deemed an accord and satisfaction and Landlord shall accept the check or payment without prejudice to Landlord's right to recover the balance of the rent or pursue any other remedy available to it. Tenant hereby waives any right of redemption or relief from forfeiture under California Code of Civil Procedure Section 1174 or 1179, or under any successor statute, in the event this Lease is terminated by reason of any Default by Tenant. No act or thing done by Landlord or Landlord's agents during the Term shall be deemed an acceptance of a surrender of the Premises, and no agreement to accept a surrender shall be valid unless in writing and signed by Landlord.

14.3. **LATE PAYMENTS**. Any Rent due under this Lease that is not paid to Landlord within 5 days of the date when due shall bear interest at the maximum rate permitted by law from the date due until fully paid and if any Rent due from Tenant shall not be received by Landlord or Landlord's designee within 5 days after the date due, then Tenant shall pay to Landlord, in addition to the interest, a late charge for each delinquent payment equal to the greater of (i) 5% of that delinquent payment or (ii) $100.00.

14.4. **DEFAULT BY LANDLORD**. Landlord shall not be deemed to be in default in the performance of any obligation under this Lease unless and until it has failed to perform the obligation within 30 days after written notice by Tenant to Landlord specifying in reasonable detail the nature and extent of the failure; provided, however, that if the nature of Landlord's obligation is such that more than 30 days are required for its performance, then Landlord shall not be deemed to be in default if it commences performance within the 30 day period and thereafter diligently pursues the cure to completion.

14.5. **EXPENSES AND LEGAL FEES**. Should either Landlord or Tenant bring any action in connection with this Lease, the prevailing party shall be entitled to recover as a part of the action its reasonable attorneys' fees, and all other reasonable costs. The prevailing party for the purpose of this paragraph shall be determined by the trier of the facts.

14.6. **WAIVER OF JURY TRIAL/JUDICIAL REFERENCE**.

(a) **LANDLORD AND TENANT EACH ACKNOWLEDGES THAT IT IS AWARE OF AND HAS HAD THE ADVICE OF COUNSEL OF ITS CHOICE WITH RESPECT TO ITS RIGHT TO TRIAL BY JURY, AND EACH PARTY DOES HEREBY EXPRESSLY AND KNOWINGLY WAIVE AND RELEASE ALL SUCH RIGHTS TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM BROUGHT BY EITHER PARTY HERETO AGAINST THE OTHER (AND/OR AGAINST ITS OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, OR SUBSIDIARY OR AFFILIATED ENTITIES) ON ANY MATTERS WHATSOEVER ARISING OUT OF OR IN ANY WAY CONNECTED WITH THIS LEASE, TENANT'S USE OR OCCUPANCY OF THE PREMISES, AND/OR ANY CLAIM OF INJURY OR DAMAGE.**

(b) In the event that the jury waiver provisions of Section 14.6(a) are not enforceable under California law, then, unless otherwise agreed to by the parties, the provisions of this Section 14.6(b) shall apply. Landlord and Tenant agree that any disputes arising in connection with this Lease (including but not limited to a determination of any and all of the issues in such dispute, whether of fact or of law) shall be resolved (and a decision shall be rendered) by way of a general reference as provided for in Part 2, Title 8, Chapter 6 (§§ 638 et. seq.) of the California Code of Civil Procedure, or any successor California statute governing resolution of disputes by a court appointed referee. Nothing within this Section 14.6 shall apply to an unlawful detainer action.

14.7. **SATISFACTION OF JUDGMENT**. The obligations of Landlord do not constitute the personal obligations of the individual partners, trustees, directors, officers, members or shareholders of Landlord or its constituent partners or members. Should Tenant recover a money judgment against Landlord, such judgment shall be satisfied only from the interest of Landlord in the Project and out of the rent or other income from such property receivable by Landlord, and no action for any deficiency may be sought or obtained by Tenant.

ARTICLE 15. END OF TERM

15.1. **HOLDING OVER**. If Tenant holds over for any period after the Expiration Date (or earlier termination of the Term), such tenancy shall constitute a tenancy at sufferance only and possession shall be subject to all of the terms of this Lease, except that the monthly rental shall be 150% of the total monthly rental for the month immediately preceding the date of termination. The acceptance by Landlord of monthly hold-over rental in a lesser amount shall not constitute a waiver of Landlord's right to recover the full amount due unless otherwise agreed in writing by

Landlord. If Tenant fails to surrender the Premises upon the expiration of this Lease despite demand to do so by Landlord, Tenant shall indemnify and hold Landlord harmless from all loss or liability, including without limitation, any claims made by any succeeding tenant relating to such failure to surrender. The foregoing provisions of this Section 15.1 are in addition to and do not affect Landlord's right of re-entry or any other rights of Landlord under this Lease or at law.

15.2. SURRENDER OF PREMISES; REMOVAL OF PROPERTY. Upon the Expiration Date or upon any earlier termination of this Lease, Tenant shall quit and surrender possession of the Premises to Landlord in as good order, condition and repair as when received or as hereafter may be improved by Landlord or Tenant, reasonable wear and tear and repairs which are Landlord's obligation excepted, and shall remove or fund to Landlord the cost of removing all wallpapering, voice and/or data transmission cabling installed by or for Tenant and Required Removables, together with all personal property and debris, and shall perform all work required under Section 7.3 of this Lease. If Tenant shall fail to comply with the provisions of this Section 15.2, Landlord may effect the removal and/or make any repairs, and the cost to Landlord shall be additional rent payable by Tenant upon demand.

ARTICLE 16. PAYMENTS AND NOTICES

All sums payable by Tenant to Landlord shall be paid, without deduction or offset, in lawful money of the United States to Landlord at its address set forth in Item 12 of the Basic Lease Provisions, or at any other place as Landlord may designate in writing. Unless this Lease expressly provides otherwise, all payments shall be due and payable within 5 days after demand. All payments requiring proration shall be prorated on the basis of the number of days in the pertinent calendar month or year, as applicable. Any notice, election, demand, consent or approval to be given or other document to be delivered by either party to the other may be delivered to the other party, at the address set forth in Item 12 of the Basic Lease Provisions, by personal service or by any courier or "overnight" express mailing service. Either party may, by written notice to the other, served in the manner provided in this Article, designate a different address. The refusal to accept delivery of a notice, or the inability to deliver the notice (whether due to a change of address for which notice was not duly given or other good reason), shall be deemed delivery and receipt of the notice as of the date of attempted delivery.

ARTICLE 17. RULES AND REGULATIONS

Tenant agrees to comply with the Rules and Regulations attached as **Exhibit E**, and any reasonable and nondiscriminatory amendments, modifications and/or additions as may be adopted by Landlord from time to time.

ARTICLE 18. BROKER'S COMMISSION

The parties recognize as the broker(s) who negotiated this Lease the firm(s) whose name(s) is (are) stated in Item 10 of the Basic Lease Provisions, and agree that Landlord shall be responsible for the payment of brokerage commissions to those broker(s) unless otherwise provided in this Lease. Tenant agrees to indemnify and hold Landlord harmless from any cost, expense or liability (including reasonable attorneys' fees) for any compensation, commissions or charges claimed by any other real estate broker or agent employed or claiming to represent or to have been employed by Tenant in connection with the negotiation of this Lease.

ARTICLE 19. TRANSFER OF LANDLORD'S INTEREST

Landlord shall have the right to transfer and assign, in whole or in part, all of its ownership interest, rights and obligations in the Building, Project or Lease, including the Security Deposit, and upon transfer Landlord shall be released from any further obligations hereunder, and Tenant agrees to look solely to the successor in interest of Landlord for the performance of such obligations and the return of any Security Deposit.

ARTICLE 20. INTERPRETATION

20.1. **NUMBER**. Whenever the context of this Lease requires, the words "Landlord" and "Tenant" shall include the plural as well as the singular.

20.2. **JOINT AND SEVERAL LIABILITY**. If more than one person or entity is named as Tenant, the obligations imposed upon each shall be joint and several and the act of or notice from, or notice or refund to, or the signature of, any one or more of them shall be binding on all of them with respect to the tenancy of this Lease, including, but not limited to, any renewal, extension, termination or modification of this Lease.

20.3. **SUCCESSORS**. The expiration of the Term, whether by lapse of time, termination or otherwise, shall not relieve either party of any obligations which accrued prior to or which may continue to accrue after the expiration or termination of this Lease.

20.4. **TIME OF ESSENCE**. Time is of the essence with respect to the performance of every provision of this Lease in which time of performance is a factor.

20.5. **CONTROLLING LAW/VENUE**. This Lease shall be governed by and interpreted in accordance with the laws of the State of California.

20.6. **SEVERABILITY**. If any term or provision of this Lease, the deletion of which would not adversely affect the receipt of any material benefit by either party or the deletion of which is consented to by the party adversely affected, shall be held invalid or unenforceable to any extent, the remainder of this Lease shall not be affected and each term and provision of this Lease shall be valid and enforceable to the fullest extent permitted by law.

20.7. **WAIVER**. One or more waivers by Landlord or Tenant of any breach of any term, covenant or condition contained in this Lease shall not be a waiver of any subsequent breach of the same or any other term, covenant or condition. Consent to any act by one of the parties shall not be deemed to render unnecessary the obtaining of that party's consent to any subsequent act. No breach of this Lease shall be deemed to have been waived unless the waiver is in a writing signed by the waiving party.

20.8. **INABILITY TO PERFORM**. In the event that either party shall be delayed or hindered in or prevented from the performance of any work or in performing any act required under this Lease by reason of any cause beyond the reasonable control of that party, then the performance of the work or the doing of the act shall be excused for the period of the delay and the time for performance shall be extended for a period equivalent to the period of the delay. The provisions of this Section 20.8 shall not operate to excuse Tenant from the prompt payment of Rent.

20.9. **ENTIRE AGREEMENT**. This Lease constitutes the entire agreement between the parties and supersedes all prior agreements and understandings related to the Premises. This Lease may be modified only by a written agreement signed by Landlord and Tenant.

20.10. **QUIET ENJOYMENT**. Upon the observance and performance of all the covenants, terms and conditions on Tenant's part to be observed and performed, and subject to the other provisions of this Lease, Tenant shall have the right of quiet enjoyment and use of the Premises for the Term without hindrance or interruption by Landlord or any other person claiming by or through Landlord.

20.11. **SURVIVAL**. All covenants of Landlord or Tenant which reasonably would be intended to survive the expiration or sooner termination of this Lease, including without limitation any warranty or indemnity hereunder, shall so survive and continue to be binding upon and inure to the benefit of the respective parties and their successors and assigns.

ARTICLE 21. EXECUTION

21.1. **COUNTERPARTS; DIGITAL SIGNATURES**. This Lease may be executed in one or more counterparts, each of which shall constitute an original and all of which shall be one and the same agreement. The parties agree to accept a digital image (including but not limited to an image in the form of a PDF, JPEG, GIF file, or other e-signature) of this Lease, if applicable, reflecting the execution of one or both of the parties, as a true and correct original.

21.2. **CORPORATE AND PARTNERSHIP AUTHORITY**. Tenant represents and warrants to Landlord, and agrees, that each individual executing this Lease on behalf of Tenant is authorized to do so on behalf of Tenant.

21.3. **EXECUTION OF LEASE; NO OPTION OR OFFER**. The submission of this Lease to Tenant shall be for examination purposes only, and shall not constitute an offer to or option for Tenant to lease the Premises unless and until Landlord has executed and delivered this Lease to Tenant.

21.4. **BROKER DISCLOSURE**. By the execution of this Lease, each of Landlord and Tenant hereby acknowledge and confirm (a) receipt of a copy of a Disclosure Regarding Real Estate Agency Relationship conforming to the requirements of California Civil Code 2079.16, and (b) the agency relationships specified in Section 10 of the Basic Lease Provisions, which acknowledgement and confirmation is expressly made for the benefit of Tenant's Broker identified in Section 10 of the Basic Lease Provisions. If there is no Tenant's Broker so identified in Section 10 of the Basic Lease Provisions, then such acknowledgement and confirmation is expressly made for the benefit of Landlord's Broker. By the execution of this Lease, Landlord and Tenant are executing the confirmation of the agency relationships set forth in Section 10 of the Basic Lease Provisions.

ARTICLE 22. MISCELLANEOUS

22.1. **MORTGAGEE PROTECTION**. No act or failure to act on the part of Landlord which would otherwise entitle Tenant to be relieved of its obligations hereunder or to terminate this Lease shall result in such a release or termination unless (a) Tenant has given notice by registered or certified mail to any Mortgagee of a Mortgage covering the Building whose address has been furnished to Tenant and (b) such Mortgagee is afforded a reasonable opportunity to cure the default by Landlord. Tenant shall comply with any written directions by any Mortgagee to pay Rent due hereunder directly to such Mortgagee without determining whether a default exists under such Mortgagee's Mortgage.

22.2. **SDN LIST**. Tenant hereby represents and warrants that neither Tenant nor any officer, director, employee, partner, member or other principal of Tenant (collectively, "**Tenant Parties**") is listed as a Specially Designated National and Blocked Person ("**SDN**") on the list of such persons and entities issued by the U.S. Treasury Office of Foreign Assets Control (OFAC). In the event Tenant or any Tenant Party is or becomes listed as an SDN, Tenant shall be deemed in breach of this Lease and Landlord shall have the right to terminate this Lease immediately upon written notice to Tenant.

LANDLORD:

THE IRVINE COMPANY LLC,
a Delaware limited liability company

/s/ Steven M. Case
By: Steven M. Case
Title: EVP

TENANT:

OTIC PHARMA, INC.,
a Delaware corporation

/s/ Gregory J. Flesher
By: Gregory J. Flesher
Title: Chief Executive Officer

/s/ Christopher J. Popma
By: Christopher J. Popma
Title: VP Operations

/s/ Erez Chimovits
By: Erez Chimovits
Title: Chairman

EXHIBIT A

DESCRIPTION OF PREMISES

19900 MacArthur Blvd., Suite 550

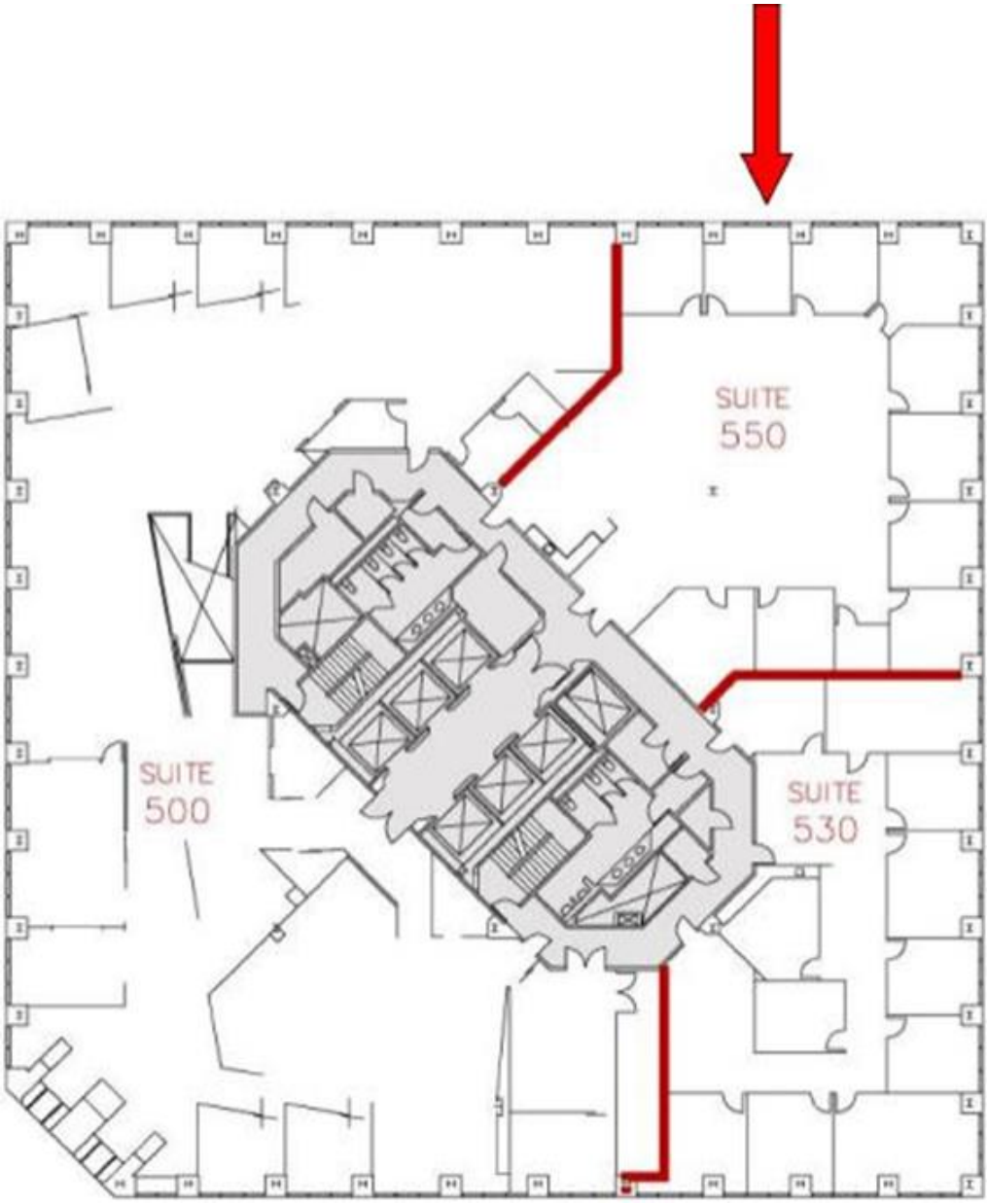

EXHIBIT B

Operating Expenses and Taxes
(Base Year)

(a) Tenant shall pay Landlord, as additional rent, for Tenant's Share of the amount, if any, by which "**Project Costs**" (defined below) for each Expense Recovery Period during the Term exceed Project Costs for the Project Cost Base and the amount, if any, by which "**Property Taxes"** (defined below) for each Expense Recovery Period during the Term exceed Property Taxes for the Property Tax Base. Property Taxes and Project Costs are mutually exclusive and may be billed separately or in combination as determined by Landlord. "**Tenant's Share**" shall mean that portion of any Operating Expenses determined by multiplying the cost of such item by a fraction, the numerator of which is the Floor Area and the denominator of which is the total rentable square footage, as determined from time to time by Landlord, of (i) the Floor Area of the Building as defined in Item 8 of the Basic Lease Provisions, for expenses determined by Landlord to benefit or relate substantially to the Building rather than the entire Project, or (ii) all or some of the buildings in the Project, for expenses determined by Landlord to benefit or relate substantially to all or some of the buildings in the Project rather than any specific building. Tenant acknowledges Landlord's rights to make changes or additions to the Building and/or Project from time to time, in which event the total rentable square footage within the Building and/or Project may be adjusted. For convenience of reference, Property Taxes and Project Costs may sometimes be collectively referred to as "**Operating Expenses**." Notwithstanding the foregoing, Landlord hereby agrees that Tenant shall not be responsible for Tenant's Share of Operating Expense excess accruing during the 12 month period commencing as of the Commencement Date.

(b) Commencing prior to the start of the first full "**Expense Recovery Period**" of the Lease (as defined in Item 7 of the Basic Lease Provisions) following the Base Year, and prior to the start of each full or partial Expense Recovery Period thereafter, Landlord shall give Tenant a written estimate of the amount of Tenant's Share of Project Costs and Property Taxes for the Expense Recovery Period or portion thereof. Tenant shall pay the estimated amounts to Landlord in equal monthly installments, in advance, with Basic Rent. Landlord may from time to time change the Expense Recovery Period to reflect a calendar year or a new fiscal year of Landlord, as applicable, in which event Tenant's share of Operating Expenses shall be equitably prorated for any partial year. From time to time during an Expense Recovery Period, Landlord may revise the estimate based on increases in any of the Operating Expenses.

(c) Within 180 days after the end of each Expense Recovery Period, Landlord shall furnish to Tenant a statement setting forth the actual or prorated Property Taxes and Project Costs attributable to that period, and the parties shall within 30 days thereafter make any payment or allowance necessary to adjust Tenant's estimated payments, if any, to Tenant's actual Tenant's Share as shown by the annual statement. If actual Property Taxes or Project Costs allocable to Tenant during any Expense Recovery Period are less than the Property Tax Base or the Project Cost Base, respectively, Landlord shall not be required to pay that differential to Tenant, although Landlord shall refund any applicable estimated payments collected from Tenant. Should Tenant fail to object in writing to Landlord's determination of actual Operating Expenses within 60 days following delivery of Landlord's expense statement, Landlord's determination of actual Operating Expenses for the applicable Expense Recovery Period shall be conclusive and binding on Tenant.

(d) Even though the Lease has terminated and the Tenant has vacated the Premises, when the final determination is made of Tenant's share of Property Taxes and Project Costs for the Expense Recovery Period in which the Lease terminates, Tenant shall upon notice pay the entire increase due over the estimated expenses paid; conversely, any overpayment made in the event expenses decrease shall be rebated by Landlord to Tenant.

(e) The term "**Project Costs**" shall include all charges and expenses pertaining to the operation, management, maintenance and repair of the Building and the Project, together with all appurtenant

Common Areas (as defined in Section 6.2), and shall include the following charges by way of illustration but not limitation: water and sewer charges; insurance premiums and deductibles and/or reasonable premium equivalents and deductible equivalents should Landlord elect to self-insure any risk that Landlord is authorized to insure hereunder; license, permit, and inspection fees; heat; light; power; janitorial services; the cost of equipping, staffing and operating an on-site and/or off-site management office for the Building and Project; all labor and labor-related costs for personnel applicable to the Building and Project, including both Landlord's personnel and outside personnel; a commercially reasonable Landlord overhead/management fee; reasonable fees for consulting services; access control/security costs, inclusive of the reasonable cost of improvements made to enhance access control systems and procedures; repairs; air conditioning; supplies; materials; equipment; tools; tenant services; programs instituted to comply with transportation management requirements; any expense incurred pursuant to Sections 6.1, 6.2, 7.2, and **Exhibits C** and **F** below; costs incurred (capital or otherwise) on a regular recurring basis every 3 or more years for normal maintenance projects (e.g., parking lot slurry coat or replacement of lobby, corridor and elevator cab carpets and coverings); and the amortized cost of capital improvements (as distinguished from replacement parts or components installed in the ordinary course of business) which are intended to reduce other operating costs or increases thereof, or upgrade Building and/or Project security, or which are required to bring the Building and/or Project into compliance with applicable laws and building codes. Landlord shall amortize the cost of capital improvements on a straight-line basis over the lesser of the Payback Period (as defined below) or the useful life of the capital improvement as reasonably determined by Landlord. Any amortized Project Costs item may include, at Landlord's option, an actual or imputed interest rate that Landlord would reasonably be required to pay to finance the cost of the item, applied on the unamortized balance. "**Payback Period**" shall mean the reasonably estimated period of time that it takes for the cost savings, if any, resulting from a capital improvement item to equal the total cost of the capital improvement. It is understood that Project Costs shall include competitive charges for direct services provided by any subsidiary or division of Landlord. If any Project Costs are applicable to one or more buildings or properties in addition to the Building, then that cost shall be equitably prorated and apportioned among the Building and such other buildings or properties. The term "**Property Taxes**" as used herein shall include the following: (i) all real estate taxes or personal property taxes, as such property taxes may be increased from time to time due to a reassessment or otherwise; and (ii) other taxes, charges and assessments which are levied with respect to this Lease or to the Building and/or the Project, and any improvements, fixtures and equipment and other property of Landlord located in the Building and/or the Project, except that general net income and franchise taxes imposed against Landlord shall be excluded; and (iii) any tax, surcharge or assessment which shall be levied in addition to or in lieu of real estate or personal property taxes; and (iv) costs and expenses incurred in contesting the amount or validity of any Property Tax by appropriate proceedings. A copy of Landlord's unaudited statement of expenses shall be made available to Tenant upon request. The Project Costs, inclusive of those for the Base Year, shall be extrapolated by Landlord to reflect at least 95% occupancy of the rentable area of the Building.

EXHIBIT C

UTILITIES AND SERVICES

The following standards for utilities and services shall be in effect at the Building. Landlord reserves the right to adopt nondiscriminatory modifications and additions to these standards. In the case of any conflict between these standards and the Lease, the Lease shall be controlling. Subject to all of the provisions of the Lease, the following shall apply:

1. Landlord shall make available to the Premises during the hours of 8:00 a.m. to 6:00 p.m., Monday through Friday ("**Building Hours**"), generally recognized national holidays excepted, reasonable HVAC services. Subject to the provisions set forth below, Landlord shall also furnish the Building with elevator service (if applicable), reasonable amounts of electric current for normal lighting by Landlord's standard overhead fluorescent and incandescent fixtures and for the operation of office equipment consistent in type and quantity with that utilized by typical office tenants of the Building and Project, and water for lavatory purposes. Tenant will not, without the prior written consent of Landlord, connect any apparatus, machine or device with water pipes or electric current (except through existing electrical outlets in the Premises) for the purpose of using electric current or water.

2. Upon written request from Tenant delivered to Landlord at least 24 hours prior to the period for which service is requested, but during normal business hours, Landlord will provide any of the foregoing building services to Tenant at such times when such services are not otherwise available. Tenant agrees to pay Landlord for those after-hour services at rates that Landlord may establish from time to time. If Tenant requires electric current in excess of that which Landlord is obligated to furnish under this **Exhibit C**, Tenant shall first obtain the consent of Landlord, and Landlord may cause an electric current meter to be installed in the Premises to measure the amount of electric current consumed. The cost of installation, maintenance and repair of the meter shall be paid for by Tenant, and Tenant shall reimburse Landlord promptly upon demand for all electric current consumed for any special power use as shown by the meter.

3. Landlord shall furnish water for drinking, personal hygiene and lavatory purposes only.

4. In the event that any utility service to the Premises is separately metered or billed to Tenant, Tenant shall pay all charges for that utility service to the Premises and the cost of furnishing the utility to tenant suites shall be excluded from the Operating Expenses as to which reimbursement from Tenant is required in the Lease.

5. Landlord shall provide janitorial services 5 days per week, equivalent to that furnished in comparable buildings, and window washing as reasonably required; provided, however, that Tenant shall pay for any additional or unusual janitorial services.

6. Tenant shall have access to the Building 24 hours per day, 7 days per week, 52 weeks per year; provided that Landlord may install access control systems as it deems advisable for the Building. Landlord may impose a reasonable charge for access control cards and/or keys issued to Tenant.

7. The costs of operating, maintaining and repairing any supplemental air conditioning unit serving only the Premises shall be borne solely by Tenant. Such installation shall be subject to Landlord's prior written approval, at Tenant's sole expense and shall include installation of a separate meter for the operation of the unit. Landlord may require Tenant to remove at Lease expiration any such unit installed by or for Tenant and to repair any resulting damage to the Premises or Building.

EXHIBIT D

TENANT'S INSURANCE

The following requirements for Tenant's insurance shall be in effect during the Term, and Tenant shall also cause any subtenant to comply with the requirements. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions to these requirements.

1. Tenant shall maintain, at its sole cost and expense, during the entire Term: (i) commercial general liability insurance with respect to the Premises and the operations of Tenant in, on or about the Premises, on a policy form that is at least as broad as Insurance Service Office (ISO) CGL 00 01 (if alcoholic beverages are sold on the Premises, liquor liability shall be explicitly covered), which policy(ies) shall be written on an "occurrence" basis and for not less than $2,000,000 combined single limit per occurrence for bodily injury, death, and property damage liability; (ii) workers' compensation insurance coverage as required by law, together with employers' liability insurance coverage of at least $1,000,000 each accident and each disease; (iii) with respect to Alterations constructed by Tenant under this Lease, builder's risk insurance, in an amount equal to the replacement cost of the work; and (iv) insurance against fire, vandalism, malicious mischief and such other additional perils as may be included in a standard "special form" policy, insuring all Alterations, trade fixtures, furnishings, equipment and items of personal property in the Premises, in an amount equal to not less than 90% of their replacement cost (with replacement cost endorsement), which policy shall also include business interruption coverage in an amount sufficient to cover 1 year of loss. In no event shall the limits of any policy be considered as limiting the liability of Tenant under this Lease.

2. All policies of insurance required to be carried by Tenant pursuant to this **Exhibit D** shall be written by insurance companies authorized to do business in the State of California and with a general policyholder rating of not less than "A-" and financial rating of not less than "VIII" in the most current Best's Insurance Report. The deductible or other retained limit under any policy carried by Tenant shall be commercially reasonable, and Tenant shall be responsible for payment of such deductible or retained limit with waiver of subrogation in favor of Landlord. Any insurance required of Tenant may be furnished by Tenant under any blanket policy carried by it or under a separate policy. A certificate of insurance, certifying that the policy has been issued, provides the coverage required by this Exhibit and contains the required provisions, together with endorsements acceptable to Landlord evidencing the waiver of subrogation and additional insured provisions required below, shall be delivered to Landlord prior to the date Tenant is given the right of possession of the Premises. Proper evidence of the renewal of any insurance coverage shall also be delivered to Landlord not less than thirty (30) days prior to the expiration of the coverage. In the event of a loss covered by any policy under which Landlord is an additional insured, Landlord shall be entitled to review a copy of such policy.

3. Tenant's commercial general liability insurance shall contain a provision that the policy shall be primary to and noncontributory with any policies carried by Landlord, together with a provision including Landlord and any other parties in interest designated by Landlord as additional insureds. Tenant's policies described in Subsections 1 (ii), (iii) and (iv) above shall each contain a waiver by the insurer of any right to subrogation against Landlord, its agents, employees, contractors and representatives. Tenant also waives its right of recovery for any deductible or retained limit under same policies enumerated above. All of Tenant's policies shall contain a provision that the insurer will not cancel or change the coverage provided by the policy without first giving Landlord 30 days prior written notice. Tenant shall also name Landlord as an additional insured on any excess or umbrella liability insurance policy carried by Tenant.

NOTICE TO TENANT: IN ACCORDANCE WITH THE TERMS OF THIS LEASE, TENANT MUST PROVIDE EVIDENCE OF THE REQUIRED INSURANCE TO LANDLORD'S MANAGEMENT AGENT PRIOR TO BEING AFFORDED ACCESS TO THE PREMISES.

EXHIBIT E

RULES AND REGULATIONS

The following Rules and Regulations shall be in effect at the Building. Landlord reserves the right to adopt reasonable nondiscriminatory modifications and additions at any time. In the case of any conflict between these regulations and the Lease, the Lease shall be controlling.

1. The sidewalks, halls, passages, elevators, stairways, and other common areas shall not be obstructed by Tenant or used by it for storage, for depositing items, or for any purpose other than for ingress to and egress from the Premises. Should Tenant have access to any balcony or patio area, Tenant shall not place any furniture other personal property in such area without the prior written approval of Landlord.

2. Neither Tenant nor any employee or contractor of Tenant shall go upon the roof of the Building without the prior written consent of Landlord.

3. Tenant shall, at its expense, be required to utilize the third party contractor designated by Landlord for the Building to provide any telephone wiring services from the minimum point of entry of the telephone cable in the Building to the Premises.

4. No antenna or satellite dish shall be installed by Tenant without the prior written agreement of Landlord.

5. The sashes, sash doors, windows, glass lights, solar film and/or screen, and any lights or skylights that reflect or admit light into the halls or other places of the Building shall not be covered or obstructed. If Landlord, by a notice in writing to Tenant, shall object to any curtain, blind, tinting, shade or screen attached to, or hung in, or used in connection with, any window or door of the Premises, the use of that curtain, blind, tinting, shade or screen shall be immediately discontinued and removed by Tenant. No awnings shall be permitted on any part of the Premises.

6. The installation and location of any unusually heavy equipment in the Premises, including without limitation file storage units, safes and electronic data processing equipment, shall require the prior written approval of Landlord. The moving of large or heavy objects shall occur only between those hours as may be designated by, and only upon previous notice to, Landlord. No freight, furniture or bulky matter of any description shall be received into or moved out of the lobby of the Building or carried in any elevator other than the freight elevator (if available) designated by Landlord unless approved in writing by Landlord.

7. Any pipes or tubing used by Tenant to transmit water to an appliance or device in the Premises must be made of copper or stainless steel, and in no event shall plastic tubing be used for that purpose.

8. Tenant shall not place any lock(s) on any door in the Premises or Building without Landlord’s prior written consent, which consent shall not be unreasonably withheld. Upon the termination of its tenancy, Tenant shall deliver to Landlord all the keys to offices, rooms and toilet rooms and all access cards which shall have been furnished to Tenant or which Tenant shall have had made.

9. Tenant shall not install equipment requiring electrical or air conditioning service in excess of that to be provided by Landlord under the Lease without prior written approval from Landlord.

10. Tenant shall not use space heaters within the Premises.

11. Tenant shall not do or permit anything to be done in the Premises, or bring or keep anything in the Premises, which shall in any way increase the insurance on the Building, or on the property kept in the Building, or interfere with the rights of other tenants, or conflict with any government rule or regulation.

12. Tenant shall not use or keep any foul or noxious gas or substance in the Premises.

13. Tenant shall not permit the Premises to be occupied or used in a manner offensive or objectionable to Landlord or other occupants of the Building by reason of noise, odors and/or vibrations, or interfere in any way with other tenants or those having business with other tenants.

14. Tenant shall not permit any pets or animals in or about the Building. Bona fide service animals are permitted provided such service animals are pre-approved by Landlord, remain under the direct control of the individual they serve at all times, and do not disturb or threaten others.

15. Neither Tenant nor its employees, agents, contractors, invitees or licensees shall bring any firearm, whether loaded or unloaded, into the Project at any time.

16. Smoking, including via personal vaporizers or other electronic cigarettes, anywhere within the Premises or Building is strictly prohibited, and Landlord may enforce such prohibition pursuant to Landlord's leasehold remedies. Smoking is permitted outside the Building and within the project only in areas designated by Landlord.

17. Tenant shall not install an aquarium of any size in the Premises unless otherwise approved by Landlord.

18. Tenant shall not utilize any name selected by Landlord from time to time for the Building and/or the Project as any part of Tenant's corporate or trade name. Landlord shall have the right to change the name, number or designation of the Building or Project without liability to Tenant. Tenant shall not use any picture of the Building in its advertising, stationery or in any other manner.

19. Tenant shall, upon request by Landlord, supply Landlord with the names and telephone numbers of personnel designated by Tenant to be contacted on an after-hours basis should circumstances warrant.

20. Landlord may from time to time grant tenants individual and temporary variances from these Rules, provided that any variance does not have a material adverse effect on the use and enjoyment of the Premises by Tenant.

21. Fitness Center Rules. Tenant shall cause its employees (whether members or prospective members of the Fitness Center) to comply with the following Fitness Center rules and regulations (subject to change from time to time as Landlord may solely determine):

(a) Membership in the Fitness Center is open to the tenants of Landlord or its affiliates only. No guests will be permitted to use the Fitness Center without the prior written approval of Landlord or Landlord's representative.

(b) Fitness Center users are not allowed to be in the Fitness Center other than the hours designated by Landlord from time to time. Landlord shall have the right to alter the hours of use of the Fitness Center, at Landlord's sole discretion.

(c) All Fitness Center users must execute Landlord's Waiver of Liability prior to use of the Fitness Center and agree to all terms and conditions outlined therein.

(d) Individual membership and guest keycards to the Fitness Center shall not be shared and shall only be used by the individual to whom such keycard was issued. Failure to abide by this rule may result in immediate termination of such Fitness Center user's right to use the Fitness Center.

(e) All Fitness Center users and approved guests must have a pre-authorized keycard to enter the Fitness Center. A pre-authorized keycard shall not be issued to a prospective Fitness Center user

until receipt by Landlord of Landlord's initial fee, if any, for use of the Fitness Center by such Fitness Center user(s).

(f) Use of the Fitness Center is a privilege and not a right. Failure to follow gym rules or to act inappropriately while using the facilities shall result in termination of Tenant's Fitness Center privileges.

EXHIBIT F

PARKING

The following parking regulations shall be in effect at the Building In the case of any conflict between these regulations and the Lease, the Lease shall be controlling.

1. Landlord agrees to maintain, or cause to be maintained, an automobile parking area ("**Parking Area**") in reasonable proximity to the Building for the benefit and use of the visitors and patrons and, except as otherwise provided, employees of Tenant, and other tenants and occupants of the Building. Landlord shall have the right to determine the nature and extent of the automobile Parking Area, and of making such changes to the Parking Area from time to time which in its opinion are desirable. Landlord shall not be liable for any damage to motor vehicles of visitors or employees, for any loss of property from within those motor vehicles, or for any injury to Tenant, its visitors or employees, unless ultimately determined to be caused by the sole active negligence or willful misconduct of Landlord. Landlord shall also have the right to establish, and from time to time amend, and to enforce against all users of the Parking Area all reasonable rules and regulations (including the designation of areas for employee parking) as Landlord may deem necessary and advisable for the proper and efficient operation and maintenance of the Parking Area.

2. Landlord may, if it deems advisable in its sole discretion, charge for parking and may establish for the Parking Area a system or systems of permit parking for Tenant, its employees and its visitors. In no event shall Tenant or its employees park in reserved stalls leased to other tenants or in stalls within designated visitor parking zones, nor shall Tenant or its employees utilize more than the number of Parking Passes (defined below) allotted in this Lease to Tenant. Tenant shall, upon request of Landlord from time to time, furnish Landlord with a list of its employees' names and of Tenant's and its employees' vehicle license numbers. Parking access devices, if applicable, shall not be transferable. Landlord may impose a reasonable fee for access devices and a replacement charge for devices which are lost or stolen. Each access device shall be returned to Landlord promptly following the Expiration Date or sooner termination of this Lease.

3. Washing, waxing, cleaning or servicing of vehicles, or the parking of any vehicle on an overnight basis, in the Parking Area (other than emergency services) by any parker or his or her agents or employees is prohibited unless otherwise authorized by Landlord.

4. It is understood that the employees of Tenant and the other tenants of Landlord within the Building and Project shall not be permitted to park their automobiles in the portions of the Parking Area which may from time to time be designated for patrons of the Building and/or Project. Tenant shall be obligated to purchase from Landlord for the Term of this Lease, up to the total number of parking passes set forth in Item 11 of the Basic Lease Provisions (the "**Parking Passes**") for unreserved parking, in the amount of $35.00 per Parking Pass utilized per month during the initial Term. Thereafter, the stall charge shall be at Landlord's scheduled parking rates from time to time. Should any monthly parking charge not be paid within 5 business days following the date due, then a late charge shall be payable by Tenant equal to the greater of (i) 5% of the delinquent installment or (ii) $100.00, which late charge shall be separate and in addition to any late charge that may be assessed pursuant to Section 14.3 of the Lease for other than delinquent monthly parking charges.

5. Landlord shall be entitled to pass on to Tenant its proportionate share of any charges or parking surcharge or transportation management costs levied by any governmental agency and Tenant shall cooperate in any voluntary or mandated transportation management programs.

6. Tenant shall not assign or sublet any of the Parking Passes, either voluntarily or by operation of law, without the prior written consent of Landlord, except in connection with an authorized assignment of this Lease or subletting of the Premises.

EXHIBIT G

ADDITIONAL PROVISIONS

1. **FITNESS CENTER AND SHOWER FACILITY**. Subject to the provisions of this Section, so long as Tenant is not in Default under this Lease, and provided Tenant's employees execute Landlord's standard waiver of liability form and pay the applicable one time or monthly fee, if any, then Tenant's employees (the "**Fitness Center Users**") shall be entitled to use the fitness center (the "**Fitness Center**") and the shower facility (the "**Shower Facility**") located at the Project. No separate charges shall be assessed to Fitness Center Users for the use of the Fitness Center (with the exception of towel/laundry fees, if any) during the initial Term of this Lease, provided, however, that the costs of operating, maintaining and repairing the Fitness Center shall be included as part of Operating Expenses. The use of the Fitness Center and Shower Facility shall be subject to the reasonable rules and regulations (including rules regarding hours of use) established from time to time by Landlord. Landlord and Tenant acknowledge that the use of the Fitness Center by the Fitness Center Users shall be at their own risk and that the terms and provisions of Section 10.2 of this Lease shall apply to Tenant and the Fitness Center User's use of the Fitness Center. Tenant acknowledges that the provisions of this Section shall not be deemed to be a representation by Landlord that Landlord shall continuously maintain the Fitness Center (or any other fitness facility) and Shower Facility throughout the Term of this Lease, and Landlord shall have the right, at Landlord's sole discretion, to expand, contract, eliminate or otherwise modify the Fitness Center. No expansion, contraction, elimination or modification of the Fitness Center, and no termination of Tenant's or the Fitness Center Users' rights to the Fitness Center shall entitle Tenant to an abatement or reduction in Basic Rent constitute a constructive eviction, or result in an event of default by Landlord under this Lease. Tenant hereby voluntarily releases, discharges, waives and relinquishes any and all actions or causes of action for personal injury or property damage occurring to Tenant or its employees or agents arising as a result of the use of the Fitness Center and Shower Facility, or any activities incidental thereto, wherever or however the same may occur, and further agrees that Tenant will not prosecute any claim for personal injury or property damage against Landlord or any of its officers, agents, servants or employees for any said causes of action. It is the intention of Tenant with respect to the Fitness Center and Shower Facility to exempt and relieve Landlord from liability for personal injury or property damage caused by negligence. Tenant's right to use the Fitness Center shall belong solely to Tenant and may not be transferred or assigned without Landlord's prior written consent, which may be withheld by Landlord in Landlord's sole discretion.

2. **CONFERENCE CENTER**. Landlord currently provides a conference center (the "**Conference Room**") in the Building capable of accommodating groups of people for use by Building tenants (including Tenant) on a reserved basis. Tenant shall, subject to availability, have the use of the Conference Center subject to Landlord's procedures and charges, if any. The use of the Common Area Conference Room shall be subject to the reasonable rules and regulations (including rules regarding hours of use and priorities for the tenants of the particular building in which a Common Area Conference Room is located, set up and clean up charges, etc.) established from time to time by Landlord for the Common Area Conference Room. Landlord and Tenant acknowledge that the terms and provisions of Section 10.2 (Tenant's Indemnity) of this Lease shall apply to Tenant's use of the Conference Room. Further, Landlord shall have no liability whatsoever with respect to the existence, condition or availability of any Common Area Conference Room(s) nor shall Landlord have any obligation whatsoever to enforce or make reservations thereof, and Tenant hereby expressly waives all claims against Landlord with respect to the same. No expansion, contraction, elimination, unavailability or modification of the Common Area Conference Room(s), and no termination of or interference with Tenant's rights to the Common Area Conference Room(s), shall entitle Tenant to an abatement or reduction in rent or constitute a constructive eviction or an event of default by Landlord under this Lease. Tenant's right to use the Conference Room shall belong solely to Tenant and may not be transferred or assigned without Landlord's prior written consent, which may be withheld by Landlord in Landlord's sole discretion.

3. **GAME ROOM**. Landlord currently provides a game room (the "**Game Room**") in the Building capable of accommodating groups of people for use by Building tenants (including Tenant) on a reserved basis. Tenant shall, subject to availability, have the use of the Game Room subject to Landlord's procedures and charges, if any. The use of the Game Room shall be subject to the reasonable rules and regulations (including rules regarding hours of use and priorities for the tenants of the particular building in which a Game Room is located, set up and clean up charges, etc.) established from time to time by Landlord for the Game Room. Landlord and Tenant acknowledge that the terms and provisions of Section 10.2 (Tenant's Indemnity) of this Lease shall apply to Tenant's use of the Game Room. Further, Landlord shall have no liability whatsoever with respect to the existence, condition or availability of any Game Room nor shall Landlord have any obligation whatsoever to enforce or make reservations thereof, and Tenant hereby expressly waives all claims against Landlord with respect to the same. No expansion, contraction, elimination, unavailability or modification of the Game Room, and no termination of or interference with Tenant's rights to the Game Room, shall entitle Tenant to an abatement or reduction in rent or constitute a constructive eviction or an event of default by Landlord under this Lease. Tenant's right to use the Game Room shall belong solely to Tenant and may not be transferred or assigned without Landlord's prior written consent, which may be withheld by Landlord in Landlord's sole discretion.

EXHIBIT X

WORK LETTER
BUILD TO SUIT

Landlord shall cause its contractor to construct the tenant improvements (the "**Tenant Improvements**") for the Premises as shown in the space plan (the "**Plan**") prepared by Gensler and dated July 17, 2015. Any additional cost resulting from changes requested by Tenant shall be borne solely by Tenant and paid to Landlord prior to the commencement of construction. Unless otherwise specified in the Plan or hereafter agreed in writing by Landlord, all materials and finishes utilized in constructing the Tenant Improvements shall be Landlord's building standard. Should Landlord submit any additional plans, equipment specification sheets, or other matters to Tenant for approval or completion, Tenant shall respond in writing, as appropriate, within 5 business days unless a shorter period is provided herein. Tenant shall not unreasonably withhold its approval of any matter, and any disapproval shall be limited to items not previously approved by Tenant in the Plan or otherwise. Landlord shall be entitled to a supervision fee in the amount of 3% of the cost of the Tenant Improvements.

In the event that Tenant requests in writing a revision in the Plan or in any other plans hereafter approved by Tenant, then provided such change request is acceptable to Landlord, Landlord shall advise Tenant by written change order of any additional cost and/or Tenant Delay (as defined below) such change would cause. Tenant shall approve or disapprove such change order in writing within 2 business days following its receipt. Tenant's approval of a change order shall not be effective unless accompanied by payment in full of the additional cost of the tenant improvement work resulting from the change order. It is understood that Landlord shall have no obligation to interrupt or modify the tenant improvement work pending Tenant's approval of a change order.

Notwithstanding any provision in the Lease to the contrary, if Tenant fails to comply with any of the time periods specified in this Work Letter, requests any changes to the work, fails to make timely payment of any sum due hereunder, furnishes inaccurate or erroneous specifications or other information, or otherwise delays in any manner the completion of the Tenant Improvements or the issuance of an occupancy certificate (any of the foregoing being referred to in this Lease as a "**Tenant Delay**"), then Tenant shall bear any resulting additional construction cost or other expenses and the Commencement Date shall be deemed to have occurred for all purposes, including Tenant's obligation to pay Rent, as of the date Landlord reasonably determines that it would have been able to deliver the Premises to Tenant but for the collective Tenant Delays.

Landlord shall permit Tenant and its agents to enter the Premises up to 10 days prior to the Commencement Date of the Lease in order that Tenant may install its furniture, fixtures and equipment and data cabling, subject to Landlord's prior written approval, and in a manner and upon terms and conditions and at times satisfactory to Landlord's representative. The foregoing license to enter the Premises prior to the Commencement Date is, however, conditioned upon Tenant's contractors and their subcontractors and employees working in harmony and not interfering with the work being performed by Landlord. If at any time that entry shall cause disharmony or interfere with the work being performed by Landlord, this license may be withdrawn by Landlord upon 24 hours written notice to Tenant. That license is further conditioned upon the compliance by Tenant's contractors with all requirements imposed by Landlord on third party contractors, including without limitation the maintenance by Tenant and its contractors and subcontractors of workers' compensation and public liability and property damage insurance in amounts and with companies and on forms satisfactory to Landlord, with certificates of such insurance being furnished to Landlord prior to proceeding with any such entry. The entry shall be deemed to be under all of the provisions of the Lease except as to the covenants to pay Rent unless Tenant commences business activities within the Premises. Landlord shall not be liable in any way for any injury, loss or damage which may occur to any such work being performed by Tenant, the same being solely at Tenant's risk. In no event shall the failure of Tenant's contractors to complete any work in the Premises extend the Commencement Date of this Lease.

Tenant hereby designates Michael Cruse, Telephone No. (858) 472-6630, as its representative, agent and attorney-in-fact for the purpose of receiving notices, approving submittals and issuing requests for changes, and Landlord shall be entitled to rely upon authorizations and directives of such person(s) as if given by Tenant. Tenant may amend the designation of its construction representative(s) at any time upon delivery of written notice to Landlord.

EXECUTIVE EMPLOYMENT AGREEMENT

This Executive Employment Agreement (the "**Agreement**"), dated July 15, 2015, is between Otic Pharma, Inc., a Delaware corporation in formation (the "**Company**"), and Gregory J. Flesher, an individual (the "**Executive**").

1. POSITION AND RESPONSIBILITIES

a. Position. The Executive shall be employed by the Company to render services to the Company and its parent company, Otic Pharma Ltd. (the "**Parent**") in the position of Chief Executive Officer of the Company and the Parent commencing July 30, 2015. The Executive shall report to the Company's and the Parent's Board of Directors (as applicable, the "**Board**") and perform such duties and responsibilities as are normally related to such position in accordance with the standards of the industry and any additional duties now or hereafter assigned to the Executive by the Board. The Executive shall abide by the rules, regulations, and practices as adopted or modified from time to time in the Company's sole discretion. Concurrent with Executive's commencement of service hereunder, subject to the amendment of the Articles of Association of the Parent to provide a Board seat for the Executive, the Executive shall be elected to the Board.

b. Other Activities. Except upon the prior written consent of the Company, the Executive will not, during the term of this Agreement, (i) accept any other employment, or (ii) engage, directly or indirectly, in any other business activity (whether or not pursued for pecuniary advantage) that could reasonably be expected to interfere with Executive's duties and responsibilities hereunder or create a conflict of interest with the Company.

c. No Conflict. Executive represents and warrants that the Executive's execution of this Agreement, the Executive's employment with the Company, and the performance of the Executive's proposed duties under this Agreement shall not violate any obligations the Executive may have to any other employer, person or entity, including any obligations with respect to proprietary or confidential information of any other person or entity.

2. COMPENSATION AND BENEFITS

a. Base Salary. In consideration of the services to be rendered under this Agreement, the Company shall pay the Executive a salary at the rate of $400,000 per year ("**Base Salary**"). The Base Salary shall be paid in accordance with the Company's regularly established payroll practice. Executive's Base Salary will be reviewed from time to time in accordance with the established procedures of the Company for adjusting salaries and may be adjusted upward in the sole discretion of the Board, or a designated committee thereof.

b. Annual Performance Bonus. The Executive will be eligible to receive an annual cash performance bonus (the "**Performance Bonus**") for the achievement of the Performance Goals (as defined below). The amount of such Performance Bonus shall be determined at the discretion of the Board, or a designated committee thereof, which amount shall be targeted at forty percent (40%) of Executive's Base Salary in the event of achievement of the Performance Goals in full by the Executive. The Board, or such designated committee, shall use as guidance

for the determination of the Performance Bonus certain corporate and individual goals (the "**Performance Goals**"), which shall be established annually on a calendar year basis by Executive and the Board (or a designated committee thereof). Any Performance Bonus will be paid to Executive by March 15 of the year following the calendar year with respect to which a Performance Bonus is earned, so long as the Executive remains employed as of such payment date. As agreed by the Parties, year 2015 performance will not entitle the Executive to a "**Performance Bonus**".

c. Benefits. The Executive shall be eligible to participate in the benefits made generally available by the Company to senior executives, in accordance with the benefit plans established by the Company, and as may be amended from time to time in the Company's sole discretion. In the event that the Company does not have appropriate medical and dental insurance in place on the date of this Agreement providing the Executive and his family with medical and dental coverage substantially equivalent to that provided by Executive's most recent previous employer, then the Company shall reimburse Executive, on a taxable basis, for the cost of COBRA premiums associated with his continued coverage under the plans of his prior employer until the earlier of such time as Executive and his family are (i) eligible to be covered under a Company plan or (ii) no longer eligible for continued coverage under the plans of his prior employer, and thereafter shall have no further obligation to reimburse Executive for the cost of such COBRA premium.

d. Vacation. In addition to nationally recognized holidays, the Executive shall be eligible to receive up to four (4) weeks of paid vacation per year and will receive paid Company holidays subject to the policies and procedures generally applicable to similarly situated executives for the Company as may be modified from time to time in the Company's sole discretion.

e. Expenses. The Company shall reimburse the Executive for reasonable business expenses incurred in the performance of the Executive's duties hereunder in accordance with the Company's expense reimbursement guidelines.

3. EQUITY INCENTIVES

a. Time-Based Grant. Subject to the completion of a 409A valuation and the resolution of the Board and shareholders of the Parent (the "**Option Grant Conditions**"), the Parent shall grant, from the shares available for grant pursuant to the Parent's Share Option Plan (as amended, modified or restated from time to time, the "**Share Incentive Plan**"), to the Executive (so long as the Executive is employed as of the grant date), an option to purchase 378,539 ordinary shares of the Parent (the "**First Grant**"). The First Grant shall be an incentive stock option (ISO) to the maximum extent permitted by applicable tax laws. The First Grant shall vest and become exercisable as follows: 25% of the shares subject to the First Grant shall vest at the one year anniversary of the date of commencement of employment of the Executive and the remaining 75% of the shares subject to the First Grant shall vest quarterly over the next three years, provided that all vesting is conditioned on the Executive continuing to provide full-time services to the Company or the Parent as of the applicable vesting date (unless otherwise approved by the Board), and shall be subject to the additional acceleration set forth in Section 4.b. below.

b. Performance-Related Grant. Upon satisfaction of the Option Grant Condition, Parent shall grant pursuant to the Share Incentive Plan, from the shares available for grant pursuant to the Share Incentive Plan, to the Executive (so long as the Executive is employed as of the grant date) an option to purchase that number of ordinary shares of the Parent equal to 1.0% of the fully diluted capitalization (as defined below) of the Parent as of the grant date (the "**Performance Related Grant**"). The Performance Related Grant shall be an ISO, to the maximum extent permitted by applicable tax laws. Such Performance Related Grant shall vest and become exercisable upon the achievement, between July 30, 2015 and October 31, 2016 of (a) the execution of a definitive agreement that results in the acquisition or licensing of a material asset of the Parent and (b) the raising of at least $10 million at a pre-money Parent valuation of $85 million, all provided that the Executive is employed upon the achievement of the foregoing.

c. Other Agreements. The Executive's entitlement to any equity incentives that may be approved is conditioned upon the Executive's signing of the applicable equity incentive award agreement and is subject to its terms and the terms of the Share Incentive Plan, including the vesting requirements outlined above.

d. Certain Terms. For purposes of this Agreement "**fully diluted capitalization**" shall mean (A) the number of ordinary shares of the Parent actually outstanding *plus* (B) the number of ordinary shares of the Parent issuable upon conversion of all preferred shares of the Parent outstanding at such time *plus* (C) the number of ordinary shares of the Parent issuable upon conversion or exercise, as the case may be, of all other securities of the Parent outstanding as of such time convertible into, exercisable for, or exchangeable for, directly or indirectly, ordinary shares (including, without limitation, options and warrants), disregarding any vesting or similar provisions *plus* (D) the number of ordinary shares of the Parent reserved for issuance at such time under any share option, equity incentive or similar plan (to the extent not subject to already issued but unexercised share options or other equity incentives).

4. AT-WILL EMPLOYMENT; TERMINATION BY COMPANY

a. At-Will Termination by Company. The Executive's employment with the Company shall be "at-will" at all times. The Company may terminate the Executive's employment with the Company at any time, without any advance notice, for any reason or no reason at all, notwithstanding anything to the contrary contained in or arising from any statements, policies or practices of the Company relating to the employment, discipline or termination of its employees. Upon and after such termination, all obligations of the Company under this Agreement shall cease, except as otherwise provided herein.

b. Severance. Except in situations where the employment of the Executive is terminated for Cause, by Death or by Complete Disability (as defined in Section 5 below), in the event that the Company terminates the Executive's employment at any time or the Executive terminates his employment for "Good Reason" as provided for in Section 6(b) below the Executive will be eligible to receive the following payments and severance benefits (collectively, "**Severance**"):

(i) after the first anniversary of the agreement date, an amount equal to six (6) months of the Executive's then-current Base Salary, payable in six (6) equal

monthly installments commencing within ten (10) days of the effective date of the Release, *provided* that concurrent with an S-1 registration statement for the initial offering of the Parent's ordinary shares becoming effective, the Severance shall automatically increase to twelve (12) months of the Executive's then-current Base Salary, payable in twelve (12) equal monthly installments commencing within ten (10) days of the effective date of the Release;

(ii) if the Executive elects to continue his medical and/or dental coverage under COBRA, the Company shall pay the premiums for COBRA coverage for Executive and his qualified dependents (or, for such portion of the COBRA Continuation Period (as defined below) that the Company continues to be obligated to reimburse the Executive for the cost of COBRA premiums under Section 2.c., to reimburse the Executive for the cost of COBRA premiums associated with his continued coverage under the plans of his prior employer) until the earlier of (a) six (6) months following the date of the Executive's termination (twelve (12) months following an IPO) or (b) the date the Executive becomes eligible for comparable coverage under another employer's plan(s) (such period, the "**COBRA Continuation Period**"); and

(iii) if such termination is (x) by the Company within the period commencing upon a Deemed Liquidation (as defined in the Parent's Articles of Association in effect from time to time) and ending six (6) months following a Deemed Liquidation, the vesting of all unvested shares, options, or other equity incentive awards available to or held by the Executive shall be accelerated such that all such shares, options or other equity incentive awards shall be deemed vested in full with respect to all service related vesting conditions (but subject to the achievement of any financial targets that may otherwise remain applicable) or (y) by the Executive for "Good Reason" additional vesting only to the extent as provided for in Section 6(b) below.

The Executive's eligibility for Severance is conditioned on the Executive having first signed a release agreement in the form attached as Exhibit A (the "**Release**") and such Release becoming effective pursuant to its terms no later than sixty (60) days following the date of termination of the Executive's employment (the "**Release Deadline**"). The Executive shall not be entitled to any Severance if Executive's employment is terminated pursuant to Section 5 for Cause, by Death or by Complete Disability or if the Executive's employment is terminated by the Executive (except for a termination for Good Reason, as provided in Section 6.b below). Notwithstanding subsection (ii) above, if the Company determines, in its sole discretion, that the Company cannot provide the COBRA premium benefits set forth in subsection (ii) above without potentially incurring financial costs or penalties under applicable law (including, without limitation, Section 2716 of the Public Health Service Act), the Company shall in lieu thereof pay the Executive a taxable cash amount, which payment shall be made regardless of whether the Executive or the Executive's eligible family members elect group health insurance coverage (the "**Health Care Benefit Payment**"). The Health Care Benefit Payment shall be paid in monthly installments on the same schedule that the COBRA premiums would otherwise have been paid to the insurer. The Health Care Benefit Payment shall be equal to the amount that the Company would have otherwise paid for COBRA insurance premiums (which amount shall be calculated

based on the premium for the first month of coverage), and shall be paid until the expiration of the COBRA Continuation Period.

5. OTHER TERMINATIONS BY COMPANY

a. Termination for Cause. For purposes of this Agreement, "**Cause**" shall mean: (i) the Executive commits a crime involving dishonesty or physical harm to any person; (ii) the Executive willfully engages in conduct that is in bad faith and materially injurious to the Company and/or the Parent, including but not limited to, misappropriation of trade secrets, fraud or embezzlement; (iii) the Executive commits a material breach of this Agreement, which breach is not cured within thirty (30) days after delivery of written notice to the Executive by the Company; (iv) the Executive willfully refuses to implement or follow a lawful policy or directive of the Company or the Parent, which breach is not cured within thirty (30) days after delivery of written notice to Executive by the Company; or (v) the Executive engages in gross misfeasance or malfeasance demonstrated by a pattern of gross failure to perform job duties diligently and professionally. The Company may terminate the Executive's employment for Cause at any time, without any advance notice except as required by law. The Company shall pay the Executive all compensation to which the Executive is entitled up through the date of termination, subject to any other rights or remedies of the Company under law; and thereafter all obligations of the Company under this Agreement shall cease.

b. Termination By Death. Executive's employment shall terminate automatically upon the Executive's death. The Company shall pay to the Executive's beneficiaries or estate, as appropriate, any compensation then due and owing. Thereafter, all obligations of the Company under this Agreement shall cease. Nothing in this Section shall affect any entitlement of the Executive's heirs or devisees to the benefits of any life insurance plan or other applicable benefits.

c. Termination By Complete Disability. If the Executive becomes Completely Disabled (as defined below), the Company may terminate Executive's employment. "**Completely Disabled**" shall mean the inability of the Executive to perform his duties under this Agreement, even with reasonable accommodation, because he has become permanently disabled within the meaning of any policy of disability income insurance covering employees of the Company then in force, or, if the Company has no policy of disability income insurance covering employees of the Company in force when the Executive becomes disabled, the inability of the Executive to perform the Executive's duties under this Agreement, whether with or without reasonable accommodation, by reason of any incapacity, physical or mental, which the Board, based on medical advice or an opinion provided by a licensed physician mutually acceptable to the Board and the Executive (or the Executive's legal representative), determines to have incapacitated the Executive from satisfactorily performing all of his usual services for the Company, with or without reasonable accommodation, for a period of at least 180 days during any 12-month period (whether or not consecutive). Based upon such medical advice or opinion, such determination of the Board shall be final and binding. The Company shall pay to the Executive all compensation to which the Executive is entitled up through the date of termination, and thereafter all obligations of the Company under this Agreement shall cease. Nothing in this Section shall affect the Executive's rights under any disability plan in which the Executive is a participant.

6. TERMINATION BY EXECUTIVE

a. At-Will Termination by Executive. The Executive may terminate employment with the Company at any time for any reason or no reason at all, upon four (4) weeks' advance written notice. During such notice period the Executive shall continue to diligently perform all of the Executive's duties hereunder. The Company shall have the option, in its sole discretion, to make the Executive's termination effective at any time prior to the end of such notice period as long as the Company pays the Executive all compensation to which the Executive is entitled up through the last day of the four week notice period.

b. Termination for Good Reason. The Executive may terminate his employment for "Good Reason," subject to satisfaction of the conditions set forth below. For purposes of this Agreement, "**Good Reason**" means a resignation based on any of the following events occurring in each case without Executive's consent:

i. a material diminution in Executive's authority, duties, or responsibilities;

ii. a material diminution in Executive's Base Salary;

iii. a change in the geographic location at which the Executive must perform the services to a location outside of the greater Los Angeles area; or

iv. any other action or inaction that constitutes a material breach of the terms of this Agreement.

To constitute a resignation for Good Reason: (i) Executive must provide written notice to the Board within thirty (30) days of the initial existence of the event constituting Good Reason, (ii) Executive may not terminate his or her employment unless the Company or Parent (as applicable and acting at the direction of the Board) fails to remedy the event constituting Good Reason within sixty (60) days after such notice has been deemed given pursuant to this Agreement, and (iii) Executive must terminate employment with the Company and/or Parent (as applicable) no later than 30 days after the end of the 60-day period in which the Company and/or Parent (as applicable) fails to remedy the event constituting Good Reason. If the Executive terminates his employment for Good Reason, the Executive will be eligible to receive payments and severance benefits pursuant to Section 4.b, with section 4.b(iii) limited to twelve (12) months accelerated vesting, but conditioned on the Executive's execution, delivery and non-revocation of the release set forth as Exhibit A.

7. TERMINATION OBLIGATIONS

a. Return of Property. The Executive agrees that all property (including without limitation all equipment, tangible proprietary information, documents, records, notes, contracts and computer-generated materials) furnished to or created or prepared by the Executive incident to the Executive's employment belongs to the Company and shall be promptly returned to the Company upon termination of the Executive's employment.

b. Resignation and Cooperation. Upon termination of the Executive's employment, the Executive shall be deemed to have resigned from all offices, committee memberships and

directorships then held with the Company, the Parent or any of their respective subsidiaries, except as may otherwise be agreed upon in writing by the Company, the Parent and the Executive in connection with such termination. Following any termination of employment, the Executive shall cooperate with the Company and the Parent in the winding up of pending work on behalf of the Company and the Parent and the orderly transfer of work to other employees. The Executive shall also cooperate with the Company and the Parent in the defense of any action brought by any third party against the Company or the Parent that relates to the period in which the Executive was employed by the Company or with respect to any matters for which the Executive had knowledge or responsibility during his tenure and the Company will reimburse the Executive for all reasonable out of pocket expenses incurred by the Executive in so cooperating.

c. Continuing Obligations. The Executive understands and agrees that Executive's obligations under Sections 7, 8 and 9 herein (including Exhibit B) shall survive the termination of the Executive's employment for any reason and the termination of this Agreement.

8. INVENTIONS AND PROPRIETARY INFORMATION; PROHIBITION ON THIRD PARTY INFORMATION

a. Proprietary Information Agreement. The Executive agrees to sign and be bound by the terms of the Company's Proprietary Information and Inventions Agreement ("**Proprietary Information Agreement**") which is attached as Exhibit B.

b. Non-Disclosure of Third Party Information. The Executive represents and warrants and covenants that the Executive shall not disclose to the Company or the Parent, or use, or induce the Company or the Parent to use, any proprietary information or trade secrets of others at any time, including but not limited to any proprietary information or trade secrets of any former employer, if any; and the Executive acknowledges and agrees that any violation of this provision shall be grounds for the Executive's immediate termination and could subject the Executive to substantial civil liabilities and criminal penalties. The Executive further specifically and expressly acknowledges that no officer or other employee or representative of the Company or the Parent has requested or instructed the Executive to disclose or use any such third party proprietary information or trade secrets.

9. ARBITRATION

Any dispute arising out of, or relating to, this Agreement or the breach thereof (excluding any breach of the Employee Proprietary Information and Inventions Assignment Agreement), or regarding the interpretation thereof, shall be exclusively decided by binding arbitration conducted in California in the County where the Company's headquarters are then located in accordance with the rules of the JAMS Employment Arbitration Rules & Procedures then in effect before a single arbitrator appointed in accordance with such rules. Judgment upon any award rendered therein may be entered and enforcement obtained thereon in any court having jurisdiction. The arbitrator shall have authority to grant any form of appropriate relief, whether legal or equitable in nature, including specific performance. Each of the parties agrees that service of process in such arbitration proceedings shall be satisfactorily made upon it if sent by registered mail addressed to it at the address referred to in Section 12 below. The arbitrator shall have the authority to award costs and fees to the prevailing party as provided by applicable law

to the same extent as a court. Otherwise, each party shall pay its own costs and attorney's fees. The Company shall pay the costs and fees of the arbitrator and reimburse Employee for any filing fees paid to initiate arbitration. Judgment on the arbitration award may be entered by any court of competent jurisdiction.

10. AMENDMENTS; WAIVERS; REMEDIES

This Agreement may not be amended or waived except by a writing signed by the Executive and by a duly authorized representative of the Company other than the Executive. Failure to exercise any right under this Agreement shall not constitute a waiver of such right. Any waiver of any breach of this Agreement shall not operate as a waiver of any subsequent breaches. All rights or remedies specified for a party herein shall be cumulative and in addition to all other rights and remedies of the party hereunder or under applicable law.

11. ASSIGNMENT; BINDING EFFECT

a. Assignment. The performance of the Executive is personal hereunder, and the Executive agrees that the Executive shall have no right to assign and shall not assign or purport to assign any rights or obligations under this Agreement. This Agreement may be assigned or transferred by the Company; and nothing in this Agreement shall prevent the consolidation, merger or sale of the Company or a sale of any or all or substantially all of its assets.

b. Binding Effect. Subject to the foregoing restriction on assignment by the Executive, this Agreement shall inure to the benefit of and be binding upon each of the parties; the affiliates, officers, directors, agents, successors and assigns of the Company; and the heirs, devisees, spouses, legal representatives and successors of the Executive.

12. NOTICES

All notices or other communications required or permitted hereunder shall be made in writing and shall be deemed to have been duly given if delivered: (a) by hand; (b) by e-mail, (c) by a nationally recognized overnight courier service; or (d) by United States first class registered or certified mail, return receipt requested, to the principal address of the other party, as set forth below. The date of notice shall be deemed to be the earlier of (i) actual receipt of notice by any permitted means, or (ii) five business days following dispatch by overnight delivery service or the United States Mail. The Executive shall be obligated to notify the Company in writing of any change in the Executive's address. Notice of change of address by the Company or the Executive shall be effective only when done in accordance with this paragraph.

Company's Notice Address:

[TO BE COMPLETED]

Executive's Notice Address:

Last known residential address of Executive on file with Company

13. SEVERABILITY

If any provision of this Agreement shall be held by a court or arbitrator to be invalid, unenforceable, or void, such provision shall be enforced to the fullest extent permitted by law, and the remainder of this Agreement shall remain in full force and effect. In the event that the time period or scope of any provision is declared by a court or arbitrator of competent jurisdiction to exceed the maximum time period or scope that such court or arbitrator deems enforceable, then such court or arbitrator shall reduce the time period or scope to the maximum time period or scope permitted by law.

14. TAXES

a. Withholding. All amounts paid under this Agreement (including without limitation Base Salary and Severance) shall be paid less all applicable state and federal tax withholdings and any other withholdings required by any applicable jurisdiction or authorized by the Executive.

b. Section 409A. Notwithstanding anything to the contrary herein, the following provisions apply to the extent benefits provided herein are subject to Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**") and the regulations and other guidance thereunder and any state law of similar effect (collectively "**Section 409A**"). Severance benefits shall not commence until the Executive has a "separation from service" for purposes of Section 409A. Each payment of severance benefits is a separate "payment" for purposes of Treas. Reg. Section 1.409A-2(b)(2)(i), and the severance benefits are intended to satisfy the exemptions from application of Section 409A provided under Treasury Regulations Sections 1.409A-1(b)(4), 1.409A-1(b)(5) and 1.409A-1(b)(9). However, if such exemptions are not available and the Executive is, upon separation from service, a "specified employee" for purposes of Section 409A, then, solely to the extent necessary to avoid adverse personal tax consequences under Section 409A, the timing of the severance benefits payments shall be delayed until the earlier of (i) six (6) months and one day after the Executive's separation from service, or (ii) Executive's death.

If the severance benefits are not covered by one or more exemptions from the application of Section 409A and the Release could become effective in the calendar year following the calendar year in which the Executive separates from service, the Release will not be deemed effective any earlier than the Release Deadline, and the severance benefits will not be payable to the Executive until the calendar year following the calendar year in which the Executive separates from service. Except to the minimum extent that payments must be delayed because the Executive is a "specified employee" or until the effectiveness or deemed effectiveness of the Release, all amounts will be paid as soon as practicable in accordance with the other provisions of this Agreement.

To the extent that any taxable reimbursements of expenses provided under this Agreement are subject to Section 409A, such reimbursements will be administered as follows: (i) the amount of any such expense reimbursement or in-kind benefit provided during the Executive's taxable year shall not affect any expenses eligible for reimbursement in any other taxable year, (ii) the reimbursement of the eligible expense shall be made no later than the last day of the Executive's taxable year that immediately follows the taxable year in which the expense was incurred, and

(iii) the Executive's right to any reimbursement shall not be subject to liquidation or exchange for another benefit or payment.

The benefits provided under this Agreement are intended to qualify for an exemption from application of Section 409A or comply with its requirements to the extent necessary to avoid adverse personal tax consequences under Section 409A, and any ambiguities herein shall be interpreted accordingly.

c. 280G. Notwithstanding anything to the contrary, in the event that any of the payments or benefits provided for in this Agreement or any other agreement or arrangement between the Executive and the Company (collectively, the "**Payments**") constitute "parachute payments" within the meaning of Section 280G of the Code and, but for this Section 14.c., would be subject to the excise tax imposed by Section 4999 of the Code (the "**Excise Tax**"), then such Payments shall be either (i) provided in full, or (ii) provided as to such lesser extent which would result in no portion of such benefit being subject to the Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Executive on an after-tax basis of the greatest amount of benefits notwithstanding that all or some portion of such benefits may be subject to the Excise Tax (the "**Reduced Amount**"). If a reduction in a Payment is required pursuant to the preceding sentence and the Reduced Amount is determined pursuant to clause (i) of the preceding sentence, the reduction shall occur in the manner (the "**Reduction Method**") that results in the greatest economic benefit for Executive. If more than one method of reduction will result in the same economic benefit, the items so reduced will be reduced pro rata (the "**Pro Rata Reduction Method**"). If this Section 14.c. is applied to reduce an amount payable to the Executive, and the Internal Revenue Service successfully asserts that, despite the reduction, the Executive has nonetheless received payments which are in excess of the maximum amount that could have been paid to him without being subjected to any excise tax, then, unless it would be unlawful for the Company to make such a loan or similar extension of credit to the Executive, the Executive may repay such excess amount to the Company as though such amount constitutes a loan to the Executive made at the date of payment of such excess amount, bearing interest at 120% of the applicable federal rate (as determined under section 1274(d) of the Code in respect of such loan).

Notwithstanding any provision of this Section 14.c to the contrary, if the Reduction Method or the Pro Rata Reduction Method would result in any portion of the Payment being subject to taxes pursuant to Section 409A of the Code that would not otherwise be subject to taxes pursuant to Section 409A of the Code, then the Reduction Method and/or the Pro Rata Reduction Method, as the case may be, shall be modified so as to avoid the imposition of taxes pursuant to Section 409A of the Code as follows: (i) as a first priority, the modification shall preserve to the greatest extent possible, the greatest economic benefit for the Executive as determined on an after-tax basis; (ii) as a second priority, Payments that are contingent on future events (e.g., being terminated without Cause), shall be eliminated before Payments that are not contingent on future events; and (iii) as a third priority, Payments that are "deferred compensation" within the meaning of Section 409A of the Code shall be reduced before Payments that are not "deferred compensation" within the meaning of Section 409A of the Code.

Unless the Company and the Executive otherwise agree in writing, any determination required under this paragraph shall be made by the Company's independent public accountants (the

"**Accountants**"), whose determination shall be conclusive and binding upon all parties. For purposes of making the calculations required by this section, the Accountants may make reasonable assumptions concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Sections 280G and 4999 of the Code. The Company and the Executive shall furnish to the Accountants such information and documents as the Accountants may reasonably request in order to make a determination under this section. The Company shall bear all costs of the Accountants in connection with any calculations contemplated by this section.

If the Reduction Method or Pro Rata Reduction Method in Section 14.c. is applied to reduce an amount payable to the Executive, and the Internal Revenue Service successfully asserts that, despite such reduction, the Executive has nonetheless received payments which are in excess of the maximum amount that could have been paid to him without being subjected to any Excise Tax, then the Executive shall promptly repay such excess amount to the Company so that no portion of the remaining payment is subject to the Excise Tax.

15. GOVERNING LAW

This Agreement shall be governed by and construed in accordance with the laws of the State of California.

16. INTERPRETATION

This Agreement shall be construed as a whole, according to its fair meaning, and not in favor of or against any party. Sections and section headings contained in this Agreement are for reference purposes only, and shall not affect in any manner the meaning or interpretation of this Agreement. Whenever the context requires, references to the singular shall include the plural and the plural the singular.

17. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed an original of this Agreement, but all of which together shall constitute one and the same instrument.

18. AUTHORITY

Each party represents and warrants that such party has the right, power and authority to enter into and execute this Agreement and to perform and discharge all of the obligations hereunder; and that this Agreement constitutes the valid and legally binding agreement and obligation of such party and is enforceable in accordance with its terms.

19. ENTIRE AGREEMENT

This Agreement is intended to be the final, complete, and exclusive statement of the terms of the Executive's employment by the Company and may not be contradicted by evidence of any prior or contemporaneous statements or agreements, except for agreements specifically referenced herein, including without limitation the Proprietary Information and Inventions Agreement

attached as Exhibit B. To the extent that the practices, policies or procedures of the Company, now or in the future, apply to the Executive and are inconsistent with the terms of this Agreement, the provisions of this Agreement shall control. Any subsequent change in the Executive's duties, position, or compensation will not affect the validity or scope of this Agreement.

[Remainder of Page Left Intentionally Blank]

IN WITNESS WHEREOF, THE PARTIES HAVE DULY EXECUTED THIS AGREEMENT AS OF THE DATE FIRST WRITTEN ABOVE.

OTIC PHARMA INC.

By: /s/ Erez Chimovits
Name: Erez Chimovits
Title: Chairman

THE EXECUTIVE

By: /s/ Gregory J. Flesher
Name: Gregory J. Flesher

EXHIBIT A

General Release Agreement

SEPARATION AGREEMENT AND GENERAL RELEASE

Gregory J. Flesher ("**You**") and Otic Pharma Inc., a Delaware corporation (the "**Company**"), (collectively, the "**Parties**") have agreed to enter into this Separation Agreement and General Release ("**Agreement**") on the following terms:

Your employment with the Company terminated on , 20 (the "**Separation Date**").

If you seek reimbursement of any business expenses, you agree to submit your final expense reimbursement statement no later than the date you return the signed original of this Agreement to the Company, along with receipts or other supporting documentation. The Company will reimburse valid business expenses in accordance with its standard expense reimbursement policies.

To bring a smooth closure to your relationship with the Company, the Company would like to offer you severance benefits in exchange for a general release of claims.

Accordingly, you and the Company incorporate the above recitals into this Agreement, and agree as follows:

1. Subject to your compliance with your promises and agreements contained in this Agreement and provided you do not revoke this Agreement, the Company agrees to provide you with the Severance Benefits set forth in Section 4.b. or Section 6.b., as applicable, of the Executive Employment Agreement between you and the Company, dated as of [ ], 2015.

2. In exchange for the Severance Benefits and the Company's other promises contained in this Agreement, you completely release the Company, its affiliated, related, parent or subsidiary entities, and its present and former owners, directors, officers, investors, attorneys, and employees (the "**Released Parties**") from any and all claims you may now have or have ever had against the Company including all claims arising from your employment including, but not limited to, any claims arising under the Title VII of the Civil Rights Act of 1964, the Age Discrimination in Employment Act, the Older Workers Benefits Protection Act, the WARN Act or any state counterpart, the California Fair Employment and Housing Act, the California Labor Code or any other claims for violation of any federal, state, or municipal statutes or common law, including, without limitation, claims for alleged retaliation or wrongful termination of any kind, and any and all claims for attorneys' fees and costs (the "**Released Claims**"); provided, however, that "Released Claims" shall exclude in any event (a) any rights or claims for indemnification you may have pursuant to any indemnification agreement with the Company, any policy of insurance, the charter, bylaws, or operating agreements of the Company, or under applicable law; (b) any rights under stock options, stock purchase agreements and equity plans of the Company, defined benefit, defined contribution or other plan by virtue of his employment

with the Company, (c) any rights or claims to workers compensation or unemployment compensation; (d) any rights that are not waivable as a matter of law; and (e) any rights or claims arising under or from this Agreement. The Parties intend for this release to be enforced to the fullest extent permitted by law.

3. You represent that you have not initiated, filed, or caused to be filed and agree not to initiate, file, cause to be filed, or otherwise pursue any Released Claims against any of the Released Parties. You understand that this paragraph does not prevent you from filing a charge with or participating in an investigation by a governmental administrative agency; provided, however, that you hereby waive any right to receive any monetary award resulting from such a charge or investigation and provided further that you agree not to encourage any person, including any current or former employee of the Company, to file any kind of claim whatsoever against the Company.

4. You agree that because this release specifically covers known and unknown claims, you waive your rights under Section 1542 of the California Civil Code, or under any comparable law of any other jurisdiction. Section 1542 states: "A general release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

5. The Company and you also agree that this Agreement, and each of its terms, including the negotiations leading up to it, are confidential and neither of you will discuss the Agreement, or any of its terms or the negotiations leading up to it, with anyone except as applicable our respective attorneys, spouse or advisors without the other party's prior written consent. Further, the Company and you agree that neither will make or publish, either orally or in writing, any disparaging statement regarding the other, the Released Parties, or the other's employees, officers, directors, or customers, or in any way wrongfully impede or interfere with the other's customer relationships. The Company and you understand and agree that the terms of this Section 5 are material terms of this Agreement, without which neither of you would have entered into this Agreement.

6. Any requests for references regarding your employment by potential future employers or other third-parties shall be referred to the then current Chief Executive Officer of the Company who shall respond only that consistent with the Company's policy, the Company will confirm only dates of employment and last position held and shall provide that information.

7. You further acknowledge that this Agreement represents the entire agreement and understanding between the Parties regarding its subject matter, supersedes and replaces any and all prior agreements and understandings regarding its subject matter, with the exception of the Employee Proprietary Information and Inventions Assignment Agreement that you signed as a condition of your employment ("**Proprietary Information Agreement**"), and shall not be modified in any way except in writing executed by the you and the then current Chief Executive Officer of the Company. This Agreement shall be governed by the laws of the State of California, excluding its laws relating to choice of law. You also agree that if any term or portion of this Agreement is found to be unenforceable under applicable law, such finding shall not invalidate the whole Agreement, but the Agreement shall be construed as not containing the

particular term or portion held to be invalid and the rights and obligations of the parties shall be construed and enforced accordingly. This Agreement is severable.

8. You understand and agree that this Agreement provides you with consideration to which you are not otherwise entitled under the Company's policies and practices or otherwise. You acknowledge that you have 21 days to consider this Agreement and you are advised to consult an attorney before signing the Agreement. You may sign the Agreement in fewer than 21 days if you choose to do so. You agree that even if there are any modifications made to the Agreement before you sign it, the 21 day period will not restart. You also acknowledge that you may revoke this Agreement within 7 days of signing it by delivering notice to that effect to the then current Chief Executive Officer of the Company at the Company's principal executive office in a manner calculated to be received by the Company by close of business on the seventh day after you sign the Agreement. You understand and agree that this Agreement shall not become effective or enforceable until the 7-day revocation period has expired.

9. The payments made under this Agreement are intended to be exempt from application of section 409A of the Internal Revenue Code of 1986, as amended, and applicable guidance issued thereunder ("**Section 409A**"), and structured to be distributed in the short-term deferral period, as defined under Treasury Regulation section 1.409A-1(b)(4), or the separation pay exemption, as provided in Treasury Regulation section 1.409A-1(b)(9). The timing of payments should be interpreted and construed consistent with these exemptions to Section 409A, or to the extent such exemptions are not available, in compliance with the requirements of Section 409A.

10. You understand and agree that this Agreement is not an admission of guilt or wrongdoing by the Company and that the Company does not believe or admit that they have done anything wrong.

11. Except as provided in this Agreement you will not receive any benefits or compensation.

12. Finally, you acknowledge that you have been afforded every opportunity to and have read this Agreement, are fully aware of its contents and legal effect, and have chosen to enter into this Agreement freely, without coercion, and based on your own judgment.

[*Remainder of Page Left Intentionally Blank*]

Date delivered to employee: , 20

YOU:

By: _____
Name: Gregory J. Flesher
Title: _____

Date: _____

THE COMPANY:

By: _____
Name: _____
Title: _____

Date: _____

EXHIBIT B

PROPRIETARY INFORMATION AND INVENTIONS AGREEMENT

As a condition of my employment with Otic Pharma Inc. and its parents (including but not limited to Otic Pharma Ltd.), subsidiaries, affiliates, successors or assigns (collectively, the "***Company***"), and in consideration of my employment with the Company and my receipt of the compensation now and hereafter paid to me by the Company, I agree to the following terms under this Proprietary Information and Inventions Agreement (this "***Intellectual Property Agreement***"):

1. EMPLOYMENT

a. I understand and acknowledge that my employment with the Company is for an unspecified duration and constitutes "at-will" employment. I acknowledge that this employment relationship may be terminated at any time, with or without good cause or for any or no cause, at the option either of the Company or myself, with or without notice.

b. I agree that, during the term of my employment with the Company, I will not engage in any other employment, occupation, consulting or other business activity related to the business in which the Company is now involved or becomes involved during the term of my employment, nor will I engage in any other activities that conflict with my obligations to the Company.

2. Confidential Information

a. Company Information. I agree at all times during the term of my employment (my "***Relationship with the Company***") and thereafter to hold in strictest confidence, and not to use except for the benefit of the Company or to disclose to any third party without written authorization of the Board of Directors of the Company, any Confidential Information of the Company. I understand that "***Confidential Information***" means any Company proprietary information, technical data, trade secrets or know-how, including, but not limited to, research, business plans, product plans, products, services, customer lists and customers (including, but not limited to, customers of the Company on whom I called or with whom I became acquainted during the term of my Relationship with the Company), market research, works of original authorship, intellectual property (including, but not limited to, unpublished works and undisclosed patents), photographs, negatives, digital images, software, computer programs, ideas, developments, inventions (whether or not patentable), processes, formulas, technology, designs, drawings and engineering, hardware configuration information, forecasts, strategies, marketing, finances or other business information disclosed to me by the Company either directly or indirectly in writing, orally or by drawings or observation or inspection of parts or equipment. I further understand that Confidential Information does not include any of the foregoing items that has become publicly known and made generally available through no wrongful act of mine or of others who were under confidentiality obligations as to the item or items involved.

b. Other Employer Information. I agree that I will not, during my Relationship with the Company, improperly use or disclose any proprietary information or trade secrets of any

former or concurrent employer or other person or entity and that I will not bring onto the premises of the Company any unpublished document or proprietary information belonging to any such employer, person or entity unless consented to in writing by such employer, person or entity.

c. Third Party Information. I recognize that the Company has received and in the future will receive from third parties their confidential or proprietary information subject to a duty on the Company's part to maintain the confidentiality of such information and to use it only for certain limited purposes. I agree to hold all such confidential or proprietary information in the strictest confidence and not to disclose it to any person, firm or corporation or to use it except as necessary in carrying out my work for the Company consistent with the Company's agreement with such third party.

3. Intellectual Property

a. Assignment of Intellectual Property. I agree that I will promptly make full written disclosure to the Company, will hold in trust for the sole right and benefit of the Company, and hereby assign to the Company, or its designee, all my right, title and interest in and to any original works of authorship, domain names, inventions, concepts, improvements, processes, methods or trade secrets, whether or not patentable or registrable under copyright or similar laws, that I may solely or jointly conceive or develop or reduce to practice, or cause to be conceived or developed or reduced to practice, during the period of time I am in the service of the Company (collectively referred to as "***Intellectual Property***") and that (i) are developed using the equipment, supplies, facilities or Confidential Information of the Company, (ii) result from or are suggested by work performed by me for the Company, or (iii) relate to the Company business or to the actual or demonstrably anticipated research or development of the Company. The Intellectual Property will be the sole and exclusive property of the Company. I further acknowledge that all original works of authorship that are made by me (solely or jointly with others) within the scope of and during the period of my Relationship with the Company and that are protectable by copyright are "works made for hire," as that term is defined in the United States Copyright Act. To the extent any Intellectual Property is not deemed to be work made for hire, then I will and hereby do assign all my right, title and interest in such Intellectual Property to the Company, except as provided in Section 3(e).

b. Patent and Copyright Registrations. I agree to assist the Company, or its designee, at the Company's expense, in every proper way to secure the Company's rights in the Intellectual Property and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto in any and all countries, including the disclosure to the Company of all pertinent information and data with respect thereto and the execution of all applications, specifications, oaths, assignments and other instruments that the Company shall deem necessary in order to apply for and obtain such rights and in order to assign and convey to the Company and its successors, assigns and nominees the sole and exclusive right, title and interest in and to such Intellectual Property, and any copyrights, patents, trademarks, domain names or other intellectual property rights relating thereto. I further agree that my obligation to execute or cause to be executed, when it is in my power to do so, any such instrument or papers shall continue after the termination of this Intellectual Property Agreement. If the Company is unable because of my mental or physical incapacity or for any other reason to secure my assistance in perfecting

the rights transferred in this Intellectual Property Agreement, then I hereby irrevocably designate and appoint the Company and its duly authorized officers and agents as my agent and attorney in fact, to act for and in my behalf and stead to execute and file any such applications and to do all other lawfully permitted acts to further the prosecution and issuance of letters patent and copyright, trademark or domain name registrations thereon with the same legal force and effect as if executed by me. The designation and appointment of the Company and its duly authorized officers and agents as my agent and attorney in fact shall be deemed to be coupled with an interest and therefore irrevocable.

c. Maintenance of Records. I agree to keep and maintain adequate and current written records of all Intellectual Property made by me (solely or jointly with others) during the term of my Relationship with the Company. The records will be in the form of notes, sketches, drawings, works of original authorship, photographs, negatives or digital images or in any other format that may be specified by the Company. The records will be available to and remain the sole property of the Company at all times.

d. Intellectual Property Retained and Licensed. I provide below a list of all original works of authorship, inventions, developments, improvements, trademarks, designs, domain names, processes, methods and trade secrets that were made by me prior to my Relationship with the Company (collectively referred to as "***Prior Intellectual Property***"), that belong to me, that relate to the Company's proposed business, products or research and development, and that are not assigned to the Company hereunder; or, if no such list is attached, I represent that there is no such Prior Intellectual Property. If in the course of my Relationship with the Company, I incorporate into Company property any Prior Intellectual Property owned by me or in which I have an interest, the Company is hereby granted and shall have a nonexclusive, royalty-free, irrevocable, perpetual, worldwide license to make, have made, modify, use and sell such Prior Intellectual Property as part of or in connection with such Company property.

Prior Intellectual Property:

Title	Date	Identifying number or Brief Description

e. Exception to Assignments. I understand that the provisions of this Intellectual Property **Agreement** requiring assignment of Intellectual Property to the Company are limited to Section 2870 of the California Labor Code, which is attached hereto as **Appendix A**, and do not apply to any intellectual property that (i) I develop entirely on my own time; and (ii) I develop without using Company equipment, supplies, facilities or trade secret information; and (iii) does not result from any work performed by me for the Company; and (iv) does not relate at the time of conception or reduction to practice to the Company's current or anticipated business, or to its actual or demonstrably anticipated research or development. Any such intellectual property will be owned entirely by me, even if developed by me during the time period in which I am employed by the Company. I will advise the Company promptly in writing of any intellectual property that I believe meets the criteria for exclusion set forth herein and is not otherwise disclosed pursuant to Section 3(d) above.

f. Return of Company Documents. I agree that, at the time of leaving the employ of the Company, I will deliver to the Company (and will not keep in my possession, recreate or deliver to anyone else) any and all works of original authorship, domain names, original registration certificates, photographs, negatives, digital images, devices, records, data, notes, reports, proposals, lists, correspondence, specifications, drawings, blueprints, sketches, materials, equipment or other documents or property, or reproductions of any aforementioned items, developed by me pursuant to my Relationship with the Company or otherwise belonging to the Company or its successors or assigns.

4. Notification of New Employer

In the event that I leave the employ of the Company, I hereby grant consent to notification by the Company to my new employer or consulting client of my rights and obligations under this Intellectual Property Agreement.

5. No Solicitation of Employees

In consideration for my Relationship with the Company and other valuable consideration, receipt of which is hereby acknowledged, I agree that during the period of my Relationship with the Company as an employee, consultant, officer and/or director and for a period of twelve (12) months thereafter, I shall not solicit the employment of any person who shall then be employed by the Company (as an employee or consultant) or who shall have been employed by the Company (as an employee or consultant) within the prior two (2) -month period, on behalf of myself or any other person, firm, corporation, association or other entity, directly or indirectly.

6. Representations

I represent that my performance of all the terms of this Intellectual Property Agreement will not breach any agreement to keep in confidence proprietary information acquired by me in confidence or in trust prior to my Relationship with the Company. I have not entered into, and I agree I will not enter into, any oral or written agreement in conflict herewith. I agree to execute any proper oath or verify any proper document required to carry out the terms of this Intellectual Property Agreement.

7. Equitable Relief

The Company and I each agree that disputes relating to or arising out of a breach of the covenants contained in this Intellectual Property Agreement may cause the Company or me, as applicable, to suffer irreparable harm and to have no adequate remedy at law. In the event of any such breach or default by a party, or any threat of such breach or default, the other party will be entitled to injunctive relief, specific performance and other equitable relief. The parties further agree that no bond or other security shall be required in obtaining such equitable relief and hereby consents to the issuance of such injunction and to the ordering of specific performance.

8. General Provisions

a. Governing Law; Consent to Personal Jurisdiction. This Intellectual Property Agreement will be governed by the laws of the State of California as they apply to contracts

entered into and wholly to be performed within such state. I hereby expressly consent to the nonexclusive personal jurisdiction and venue of the state and federal for any lawsuit filed there by either party arising from or relating to this Intellectual Property Agreement.

b. Entire Agreement. This Intellectual Property Agreement sets forth the entire agreement and understanding between the Company and me relating to the subject matter herein and merges all prior discussions between us. No modification of or amendment to this Intellectual Property Agreement, or any waiver of any rights under this Intellectual Property Agreement, will be effective unless in writing signed by the party to be charged. Any subsequent change or changes in my duties, salary or compensation will not affect the validity or scope of this Intellectual Property Agreement.

c. Severability. If one or more of the provisions in this Intellectual Property Agreement are deemed void by law, then the remaining provisions will continue in full force and effect.

d. Successors and Assigns. This Intellectual Property Agreement will be binding upon my heirs, executors, administrators and other legal representatives and will be for the benefit of the Company and its successors and assigns.

[Signature Page Follows]

IN WITNESS WHEREOF, the undersigned has executed this Proprietary Information and Inventions Agreement as of July 15, 2015.

By: /s/ Gregory J. Flesher
Name: Gregory J. Flesher

WITNESS:
By: _____
Name: _____
Address: _____

APPENDIX A

CALIFORNIA LABOR CODE SECTION 2870

Application of provision that employee shall assign or offer to assign rights in invention to employer.

1. Any provision in an employment agreement which provides that an employee shall assign, or offer to assign, any of his or her rights in an invention to his or her employer shall not apply to an invention that the employee developed entirely on his or her own time without using the employer's equipment, supplies, facilities, or trade secret information except for those inventions that either:

Relate at the time of conception or reduction to practice of the invention to the employer's business, or actual or demonstrably anticipated research or development of the employer.

Result from any work performed by the employee for the employer.

2. To the extent a provision in an employment agreement purports to require an employee to assign an invention otherwise excluded from being required to be assigned under subdivision (a), the provision is against the public policy of this state and is unenforceable.

Exhibit 10.4

Pursuant to 17 CFR 20.24b-2, confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request with the Commission.

EXCLUSIVE LICENSE AGREEMENT

BETWEEN

SCIENTIFIC DEVELOPMENT AND RESEARCH, INC. AND OTODYNE, INC.
(COLLECTIVELY THE LICENSORS), ON THE ONE HAND,

AND

OTICPHARMA, INC. (AS THE LICENSEE),
ON THE OTHER HAND

NOVEMBER 1, 2015

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Pursuant to 17 CFR 20.24b-2, confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request with the Commission.

EXCLUSIVE LICENSE AGREEMENT

This Exclusive License Agreement ("***Agreement***") dated November 1, 2015 ("***Effective Date***"), is between Scientific Development and Research, Inc., a New Jersey corporation having offices located at 55 Alexandria Road, Morristown, NJ 07960 ("***SDRI***") and Otodyne, Inc., a Delaware corporation also having offices located at 55 Alexandria Road, Morristown, NJ 07960 ("***Otodyne,***" together with SDRI, the "***Licensors***" and each, a "***Licensor***"), on one hand, and OticPharma, Inc., a Delaware corporation having offices at 19900 MacArthur Blvd, Suite 550, Irvine, CA 92612 ("***OPI***"), on the other hand. Each of SDRI, Otodyne and OPI may be referred to hereinafter individually as a "***Party***" and together as the "***Parties***."

Recitals

A. SDRI is a corporation that owns patents and technology identified below developed by Alan Mautone, Ph.D. involving the use of combinations of surfactants with lipids to treat human conditions in or through airways.

B. Otodyne is a corporation that was formed to further develop and commercialize a nasal spray for the treatment of infections of the middle ear (otitis media), as well as for enhancement of Eustachian tube function, and other potential indications using the technology of SDRI and for which Otodyne has filed an IND. On July 11, 2010, an Assignment of Assets – Transfer of Stock Agreement (the "***SDRI-Otodyne Agreement***") was executed between SDRI and Otodyne wherein, in exchange for 250,000 shares of Otodyne common stock, Otodyne was given the exclusive right to assign/sell and or license SDRI's "Otitis Media Technology" (as defined in the SDRI-Otodyne Agreement).

C. OPI is a pharmaceutical company that, together with its Affiliates, has developed the FoamOtic™ pharmaceutical delivery platform with many potential product applications and desires to further develop, conduct clinical trials using, obtain regulatory approval for, manufacture, distribute, market and sell OPI products and the SDRI and Otodyne technologies.

D. Contemporaneously with the execution and delivery of this Agreement, and as part of the consideration for the rights granted to OPI in this Agreement, SDRI and Otodyne will each enter a Consulting Agreement with OPI (each, a "***Consulting Agreement***," and the Consulting Agreements together with this Agreement, the "***Transaction Documents***") pursuant which SDRI and Otodyne shall provide consulting services to OPI using the personnel identified therein.

Agreement

The Parties agree as follows:

ARTICLE 1

DEFINITIONS

Capitalized terms, when used in this Agreement, will have the meanings ascribed to them or referenced on **Schedule 1.**

ARTICLE 2

DEVELOPMENT, MANUFACTURING, REGULATORY

2.1 Disclosures of Technology to OPI.

2.1.1 Within 30 days after the Effective Date, Licensors will provide to OPI true, correct, and complete copies of all Licensed Technology that exists as of the Effective Date and that was not previously disclosed to OPI, including all of the Licensed Technology and information about the Licensed Patents described or listed on **Schedule 2**.

2.1.2 In addition, at least twice per calendar year (approximately in January or February and again in June or July), and promptly at any time upon the reasonable request of OPI, Licensors will disclose to OPI all Licensor Improvement Technology and all information regarding Licensor Improvement Patents not previously disclosed.

2.1.3 Unless otherwise specified on **Schedule 2** or mutually agreed in writing by the applicable Licensor and OPI, all of the foregoing that constitutes information or data will be disclosed to OPI electronically in both the native file format in which it is stored and used by the applicable Licensor and its Affiliates as well as .PDF format.

2.2 Further Development and Manufacturing

As between the Parties, OPI will have the exclusive right at its sole cost and expense, to conduct further Development of the Licensed Technology to attempt to refine existing Licensed Products and to potentially create new Licensed Products, and to establish manufacturing capabilities (internally or by contract with others) for the Licensed Products. Except as provided in the Consulting Agreements, as specified in this Agreement, or as otherwise mutually agreed in writing by a Licensor, the Licensors have no right or responsibility to assist in any such activities of OPI.

2.3 Regulatory Affairs.

2.3.1 Otodyne will, within 30 days after OPI's notice (a) either close or inactivate IND No. 106778 (currently in the name of Otodyne) for the Licensed Product or (b) transfer ownership of, and rights under, such IND to OPI or its Affiliate as directed by OPI in its notice, and, with OPI input and direction, complete all relevant activities related to such IND, including the submission of relevant notices to the FDA in a form and substance satisfactory to OPI. If OPI elects to have the IND transferred to OPI, then promptly after such notice, if requested by OPI, Licensors will also (x) send letters (in form and substance satisfactory to OPI) to the FDA and other Regulatory Authorities indicating that any other Regulatory

Documentation are transferred to OPI and that OPI is the new owner of the Regulatory Documentation as of the Effective Date, (y) send letters to all applicable IRBs or other relevant entities and similar committees to direct product-related communications to OPI commencing on the Effective Date, and (z) provide to OPI a copy of such letters.

2.3.2 As between the Parties, OPI will have the sole right at its sole cost and expense, for preparing, seeking, submitting and maintaining all INDs, NDAs and other Regulatory Documentation, and Regulatory Approvals for each Licensed Product as required by any Regulatory Authority for Regulatory Approval, in each case in the name of OPI or its Affiliate or a Sublicensee.

2.3.3 As between the Parties, OPI will have the sole right to apply for, secure and maintain Regulatory Approvals for the Licensed Products that may be available under the Law of any jurisdiction, including any Regulatory Exclusivity, in each case in OPI's or its Affiliates or Sublicensee's own name. Licensors will in good faith cooperate with OPI and such Affiliates and Sublicensee(s) and take reasonable actions to assist OPI and such Affiliate(s) and Sublicensee(s) in obtaining such Regulatory Approvals and Regulatory Exclusivity in each jurisdiction. To the extent not otherwise reimbursed under the Consulting Agreements, any actual, reasonable and necessary out-of-pocket expenses actually incurred by Licensors or their Representatives in taking such actions requested by OPI shall be reimbursed by OPI within 30 days of Licensor's written notification thereof and presentation of appropriate supporting documentation of such expenses, including receipts or payment vouchers, to OPI.

2.3.4 Licensors will cooperate with OPI as reasonably requested from time to time in connection with OPI seeking and obtaining Regulatory Approval for Licensed Products, including providing existing data from within the Licensed Technology in the form as may be requested by OPI from time to time for disclosure to Regulatory Authorities. To the extent not otherwise reimbursed under the Consulting Agreements, any actual, reasonable and necessary out-of-pocket expenses actually incurred by Licensors or their Representatives in taking such actions requested by OPI shall be reimbursed by OPI within 30 days of Licensor's written notification thereof and presentation of appropriate supporting documentation of such expenses, including receipts or payment vouchers, to OPI.

2.4 Progress Reports.

Until the first Net Sales for which a royalty is due under Section 5.4 occurs in the USA or the European Union, OPI will provide reports to Licensors no less than twice per calendar year (by not later than the end of February and again not later than the end of July) regarding OPI's and its Affiliates' and Sublicensee's progress towards Development, manufacturing, Regulatory Approvals, and commercialization of Licensed Products.

ARTICLE 3

DILIGENCE AND EXCLUSIVITY

3.1 Efforts of OPI. OPI will use Commercially Reasonable Efforts to seek and obtain Regulatory Approval in the USA and the Major European Countries for, and thereafter commercialize, at least one Licensed Product for the treatment of otitis media in the USA and the Major European Countries. The foregoing obligation is conditioned upon (a) Licensors' and their Representatives' compliance with the terms of this Agreement, (b) each of the Consultants performing their respective obligations under the Consulting Agreements, and (c) the continuing absence of any adverse condition relating to the safety and efficacy or commercial feasibility of the Licensed Products. If at any time the Licensors have a reasonable basis to believe that OPI is in material breach of its obligations under this Section, then Licensors will so notify OPI, specifying the basis for its belief, and the Parties shall meet within 30 days after such notice to discuss in good faith Licensors' concerns and OPI's plans with respect to such Licensed Product. Except as set forth in this Section 3.1, OPI will not have any obligations with respect to the Development or commercialization of any Licensed Product, including any fiduciary obligations or implied duties.

3.2 Exclusivity.

Except as agreed in writing between the Parties or pursuant to the Consulting Agreements, each Licensor agrees that it will not, and will cause its Representatives not to, (a) further research, Develop, manufacture, seek or maintain Regulatory Approval for, market, sell, distribute or otherwise commercialize any Licensed Product, or otherwise compete with any Licensed Product or own an interest in any entity that does so compete, (b) grant or offer to grant a license under any Licensed Technology or Licensed Patents, or (c) attempt, or negotiate with any Person with respect to, any of the foregoing.

ARTICLE 4

INTELLECTUAL PROPERTY MATTERS

4.1 Ownership of Technology and Patents.

4.1.1 Inventorship of all inventions and discoveries conceived, reduced to practice, discovered or made during the Term, whether or not patentable, will be determined in accordance with U.S. patent laws.

4.1.2 Authorship of all copyrightable works created during the Term will be determined in accordance with U.S. copyright laws.

4.1.3 As between the Parties, each of the Licensors retains ownership of its respective Licensed Patents and Licensed Technology that exists as of the Effective Date (subject to the terms and conditions of this Agreement).

4.1.4 As between the Parties, OPI will be and is the sole owner of all: (a) Improvement Technology (i) with respect to which at least one of the Representatives of OPI are deemed the only inventors or authors, as applicable, pursuant to Section 4.1.1 and 4.1.2, (ii) with respect to which any combination of one or more of the Representatives of OPI together with one or more of the Representatives of the Licensors are deemed co-inventors or co-authors, as applicable, pursuant to Section 4.1.1 and 4.1.2, or (iii) that constitutes "Work Product" under the Consulting Agreements, as defined therein (all of the foregoing, collectively, the "***OPI Improvement Technology***"); and (b) all Improvement Patents claiming any of the OPI Improvement Technology ("***OPI Improvement Patents***"). Each Licensor will assign, and hereby

does assign, to OPI immediately upon its existence all of such Licensor's and its respective Representative's(s') right, title and interest in and to the OPI Improvement Technology and OPI Improvement Patents. Each Licensor will (x) execute all further instruments to document, record or perfect OPI's sole ownership consistent with this Section 4.1.1 and 4.1.2 as reasonably requested by OPI from time to time, and will cause each of such Representative(s) to do the same, and (y) make each such Representative available to OPI and the OPI Representatives as reasonably requested in connection with OPI's or its Affiliate's protection thereof, including filing, prosecuting, maintaining and enforcing Improvement Patents.

4.1.5 As between the Parties, except for OPI Improvement Technology, a Licensor will be and is the sole owner of all Improvement Technology for which Representatives of the Licensors are deemed inventors or authors pursuant to Section 4.1.1 and 4.1.2 ("***Licensor Improvement Technology***"). As between the Parties, except for OPI Improvement Patents, a Licensor also will be and is the sole owner of all Improvement Patents claiming any of the Licensor Improvement Technology ("***Licensor Improvement Patents***").

4.2 Prosecution of Patents.

4.2.1 As between the Parties, OPI will be responsible for preparation, filing, prosecution, maintenance, and seeking extensions of all Licensed Patents and OPI Improvement Patents at OPI's cost and expense. OPI will provide the owner of the Licensed Patent with a reasonable opportunity to comment on the preparation, filing, prosecution and maintenance of the Licensed Patents, and OPI will consider all comments received from such Licensor in a timely manner in good faith. OPI will not purposefully narrow the claims of any pending Licensed Patent simply to avoid paying royalties hereunder. OPI will not, without the owner's prior written consent, which may not be unreasonably withheld, conditioned or delayed, voluntarily narrow the claims of any Licensed Patents after they have been allowed or issued.

4.2.2 If OPI intends to abandon any issued Licensed Patent, OPI shall notify SDRI of such intent at least 30 days in advance of any deadline that would prejudice SDRI's rights under this Agreement. SDRI then will have the opportunity to pay any issue, maintenance, or annuity fee due to maintain said Licensed Patent in its discretion and at the Licensor's cost and expense.

4.2.3 If OPI intends to abandon or otherwise cease prosecution of any pending application within the Licensed Patents without intent to file any continuing or divisional patent application, OPI shall notify SDRI before expiration of one-half of the statutory time permitted to respond to the subject office action issued by the applicable Government Authority for the application. SDRI then will have the opportunity to continue prosecution of the pending application in its discretion, but not to the detriment of any Licensed Patent(s), and at its sole cost and expense. If SDRI notifies OPI of SDRI's desire to continue prosecution, then OPI will: (a) promptly send all applicable prosecution file contents (including paper copies and electronic files thereof) to the Licensor and (b) in good faith cooperate with SDRI to assist SDRI in executing any and all reasonable documents necessary for SDRI to continue prosecution of the pending application.

4.2.4 Each Licensor will execute all further instruments to provide OPI with the ability to control prosecution and maintenance activities consistent with this Section as reasonably requested by OPI from time to time, including by promptly executing powers of attorney, and will cause each of its Representative(s) to do the same.

4.3 License Grants to OPI.

4.3.1 Each Licensor grants to OPI an exclusive, worldwide, royalty-bearing license, including the right to sublicense (through multiple tiers), under all rights in the Licensed Patents. Such rights include the right to make, have made, use, sell, offer for sale, import and otherwise exploit any products or services and to practice any methods or processes claimed therein for any and all applications, purposes and fields of use that are the subject of the Licensed Patents.

4.3.2 Each Licensor grants to OPI an exclusive, worldwide, royalty-bearing license, including the right to sublicense (through multiple tiers), under all rights in the Licensed Technology. Such rights include the rights to reproduce, use, create derivative works of, distribute, display publicly and disclose the Licensed Technology and to make, use, sell, offer for sale, import, export, distribute and otherwise exploit any products or services and to practice any methods or processes for any and all applications, purposes and fields of use.

4.3.3 The foregoing rights to sublicense in Sections 4.3.1 and 4.3.2 above and in Section 4.6.2 below may be exercised without consent of either Licensor: (a) outside of the USA and Major European Countries, (b) within the USA and Major European Countries with respect to any Product after Regulatory Approval of the Product in such country, (c) within the USA and Major European Countries with respect to any Product before Regulatory Approval of the Product in such country so long as (i) such sublicense does not grant all of the rights under Sections 4.3.1 and 4.3.2 to any single Person or a Person and its Affiliates and (ii) Otic retains a reasonable level of control over Regulatory Approval of the Product and (d) to settle any litigation involving alleged infringement of any of the Licensed Patents or infringement, misappropriation or other violation of any of the Licensed Technology initiated by OPI in accordance with Section 4.5.2. All other sublicenses not described in the preceding sentence require the written consent of the Licensors, such consent not to be unreasonably withheld, conditioned or delayed.

4.4 OPI License Rights Upon Bankruptcy.

All rights and licenses granted under or pursuant to any Section of this Agreement are and will otherwise be deemed to be for purposes of Section 365(n) of the United States Bankruptcy Code (Title 11, U.S. Code), as amended (the "***Bankruptcy Code***"), licenses of rights to "intellectual property" as defined in Section 101(35A) of the Bankruptcy Code. The Parties agree that when a Licensor is the debtor under the Bankruptcy Code, OPI, as licensee of such rights under this Agreement, will retain and may fully exercise all of its rights and elections under the Bankruptcy Code or any other provisions of applicable Law outside the United States that provide similar protection for "intellectual property." The Parties further agree that, in the event of the commencement of a bankruptcy proceeding by or against a Licensor or any of its Affiliates under the Bankruptcy Code or analogous provisions of applicable Law outside the

United States as the debtor, OPI will be entitled to a complete duplicate of (or complete access to, as appropriate) such intellectual property and all embodiments of such intellectual property, which, if not already in OPI's possession, will be promptly delivered to it upon OPI's written request thereof. Any agreements supplemental to this Agreement will be deemed to be "agreements supplementary to" this Agreement for purposes of Section 365(n) of the Bankruptcy Code.

4.5 Enforcement of Patents.

4.5.1 Each Licensor will promptly notify OPI in the event of any actual, threatened or suspected infringement of any Licensed Patents or OPI Improvement Patents in the event that Licensor(s) become aware of such actual, threatened or suspected infringement.

4.5.2 As between the Parties, OPI will have the exclusive initial right, but not the obligation, to institute litigation to cease infringement of the Licensed Patents and OPI Improvement Patents. As between the Parties, any such litigation will be at OPI's sole cost and expense. If required in order to establish standing to sue under any applicable Laws, each Licensor, upon request of OPI, agrees to timely join in any such litigation, at OPI's expense, and in any event to cooperate with OPI at OPI's expense. No settlement, stipulated judgment or other voluntary final disposition of a suit under this Section 4.5.2 may be undertaken without the consent of the applicable Licensor(s) if such settlement, stipulated judgment or other voluntary final disposition (a) would require either Licensor to be subject to an injunction, admit wrong-doing, make a monetary payment or would otherwise materially adversely affect a Licensor's rights under this Agreement or any of the Licensed Patents or (b) is with a Person who has (before the settlement) a Contract with OPI or its Affiliate that provides for the sharing of revenues from the sale of Licensed Products. Any Governmental Authority awarded judgment for such infringement will be allocated first to pay any and all of OPI's and the Licensors' reasonable costs and expenses relating to the litigation and the remainder, to the extent based on infringement of the Licensed Patents, will be deemed Net Sales for purposes of Section 5.4.

4.5.3 If OPI should, upon notice by Licensors of infringement of the Licensed Patents and Licensor Improvement Patents and the presentment of reasonable proof that such infringement is having a material adverse effect on the royalties payable to Licensors under this Agreement, decline to file an infringement action or obtain such infringer's agreement to cease its infringing activities within 6 months after OPI's notice and proof, then Licensors shall have the right, at their sole expense, to pursue such litigation. In such instances, OPI shall cooperate with Licensor in such litigation by providing documentation relevant to the litigation in accordance with applicable discovery rules and requirements. As between the Parties, any such litigation will be at Licensor's sole cost and expense. If, under those circumstances, Licensors should be successful in such suit and be awarded monetary damages, then the monetary damages will be retained by Licensors alone. No settlement, stipulated judgment or other voluntary final disposition of a suit under this Section 4.5.3 may be undertaken without the consent of OPI if such settlement, stipulated judgment or other voluntary final disposition would require OPI or any of its Affiliates or Sublicensees to be subject to an injunction, admit wrong-doing, make a monetary payment or would otherwise materially adversely affect OPI's rights under this Agreement or any of the Licensed Patents or would purport to grant any license under any of the Licensed Technology or Licensed Patents.

4.6 Trademarks.

4.6.1 As among the Parties, OPI has the sole right, at its sole cost and in its sole discretion, to (a) select the trademark(s), service mark(s), logo(s), slogans, trade names or other indicia of the source or origin of goods or services (each an "***OPI Trademark***") to be used on or in connection with each Licensed Product, Licensed Technology, or its labeling, any registration or application for registration for any of the foregoing anywhere in the world and (b) apply for, prosecute, and maintain any registrations thereof. As among the Parties, OPI exclusively owns all OPI Trademarks.

4.6.2 Each Licensor grants to OPI an exclusive, worldwide, royalty-free license, including the right to sublicense (subject to Section 4.3.3) to use the Otodyne Trademarks in connection with Products in the USA until Regulatory Approval is obtained in such country.

4.7 Reservation of Rights.

Except as expressly stated in this Agreement, no rights or licenses are granted under this Agreement by any Party or any of its Affiliates under any Intellectual Property of such Party or its Affiliates to the other Party or its Affiliates, whether by implication, estoppel or otherwise, and all such rights not expressly granted are hereby reserved by each Party and its Affiliates.

ARTICLE 5

LICENSE FEES AND PAYMENTS

5.1 License and Access Fee.

Within 15 days after the Effective Date, OPI will pay to Otodyne a one-time, nonrefundable and non-creditable upfront license fee of $*** in cash. Shortly thereafter, OPI's parent company will issue to Otodyne a stock certificate representing such number of restricted and unvested shares of OPI common stock that have an aggregate total value of $*** at the time of issue (based upon a per share price equal to the most recently closed capital stock financing round of OPI's parent company) ("***OPI Parent Shares***"). The OPI Parent Shares will vest ***% on the *** anniversary of the Effective Date and ***% on the *** anniversary of the Effective Date. If this Agreement is terminated pursuant to Section 8.2.3, any unvested OPI Parent Shares will no longer be issued or outstanding and will cease to exist.

5.2 Technology Transfer Fee.

Within 30 days after Licensors have fulfilled their obligation under Section 2.1.1, including by delivery to OPI of all of the information, data and materials required pursuant to Section 2.1.1, OPI will pay to Otodyne the sum of $*** in cash.

5.3 Development Milestone Payments.

5.3.1 OPI will notify Licensors within 30 days after the first occurrence of each of the following events indicated in **Table 5.3.1** below as a "Development Milestone" is achieved by OPI, its Affiliate or its Sublicensee for the first indication (for any Licensed Product):

Table 5.3.1 – First Indication

Development Milestones	Milestone Payment (in USD millions)
***	***
***	***
***	***
***	***
***	***
***	***
Subtotal – First Indication Development Milestones	***

5.3.2 OPI will notify Licensors within 30 days after the first occurrence of each of the following events indicated in **Table 5.3.2** below as a "Development Milestone" is achieved by OPI, its Affiliate or its Sublicensee for any second indication, whether such second indication is for the same Licensed Product for which any amounts were paid under Section 5.3.1 or is for the first indication for a different Licensed Product than that upon which any amounts were paid under Section 5.3.1:

Table 5.3.2 – Second Indication

Development Milestones	Milestone Payment (in USD millions)
***	***
***	***
***	***
***	***
***	***
***	***
Subtotal – Second Indication Development Milestones	***

5.3.3 OPI will notify Licensors within 30 days after the first occurrence of each of the following events indicated in **Table 5.3.3** below as a "Development Milestone" is achieved by OPI, its Affiliate or its Sublicensee for any third indication, whether such third indication is a second or third indication for the same Licensed Product for which any amounts were paid under Sections 5.3.1 or 5.3.2 or is the first indication for a different Licensed Product than that upon which any amounts were paid under Sections 5.3.1 or 5.3.2:

Table 5.3.3 – Third Indication

Development Milestone	Milestone Payment (in USD millions)
***	***
Subtotal – Third Indication Development Milestones	***

5.3.4 OPI will pay the amount of the "Milestone Payment" that corresponds to each such "Development Milestone" as specified in **Table 5.3.1**, **Table 5.3.2** or **Table 5.3.3** contemporaneously with the notice that such milestone has been achieved to be provided under Sections 5.3.1 – 5.3.3, as applicable. OPI will make all such payments to Otodyne.

5.3.5 In no event will a Milestone Payment in each of **Table 5.3.1**, **Table 5.3.2** or **Table 5.3.3** become payable more than once and in no event will the total Milestone Payments that become payable in accordance with Section 5.3 exceed $42,100,000.

5.4 Royalty Payments on Net Sales.

5.4.1 OPI will pay royalties on Net Sales of each Licensed Product on a country-by-country basis until the first to occur of: (i) eight (8) years after the first Net Sales for which a royalty is due under this Section 5.4 occurs in such country and (ii) Generic Competition in such country ("***Royalty Term***"). Upon expiration of the applicable Royalty Term in a country for a Licensed Product, the license granted for such Licensed Product in such country will be deemed irrevocable and non-terminable (and will survive termination of this Agreement for any reason), and upon payment of all royalties due based on Net Sales occurring during the Royalty Term in such country for the Licensed Product, such license will be deemed fully paid-up and royalty-free.

5.4.2 OPI will incur royalties on Net Sales (based on the cumulative Net Sales of all Licensed Products during all Royalty Terms worldwide in a given calendar year) at the following rates:

(a) ***% for the portion of Net Sales that is less than or equal to *** in a calendar year; plus

(b) ***% for the portion of Net Sales that is greater than *** and less than or equal to *** in a calendar year; plus

(c) ***% for the portion of Net Sales that is greater than *** in a calendar year.

5.4.3 If either (a) OPI, its Affiliate or its Sublicensee determines in good faith that in order to avoid potential infringement of any Blocking Third Party Patent Rights it is advisable to obtain a license from any Third Party(ies) to exploit any Licensed Product(s) in one or more country(ies), or (b) OPI, its Affiliate or its Sublicensee of the Licensed Patents or Licensed Technology is required by an order, judgment or similar action of a Governmental Authority to pay royalties or other amounts for the exploitation of any Licensed Product(s) in one or more country(ies) due to infringement of Blocking Third Party Patent Rights, then (c) OPI may deduct from any of the amounts due from OPI under this Agreement, *** of such amounts actually paid by OPI, its Affiliate(s) or its Sublicensee(s) to such Third Party(ies) for the Blocking Third Party Product Rights. The total amount to be deducted may be applied to any of the amounts due from OPI under this Agreement, *provided, however, that* no single amount due to Licensors under this Agreement (e.g., royalties for a calendar quarter or a milestone payment) may be reduced by more than *** of the amount otherwise due to the Licensors. If needed, OPI may deduct the total amount to be deducted from multiple payments due to Licensors under this

Agreement until the full amount to be deducted has been applied to payments otherwise due to Licensors. For example, if ***% of amount paid to a Third Party is $*** and royalties become payable to Licensors during the following calendar quarter in the amount of $***, then Otic can offset $*** of the $*** paid to the Third Party against the $*** otherwise due to Licensors, and the remaining $*** of the $*** paid to the Third Party can be offset against up to ***% of any subsequent milestone or royalty payment due to Licensors until the remaining $*** has been applied.

5.4.4 Starting with the calendar quarter in which the first Net Sales occur for which a royalty is due under this Section 5.4, OPI will provide a report to Licensors with the Net Sales of each Licensed Product in each country and will make the payment required pursuant to this Section 5.4 above within 60 days after the end of the each calendar quarter of the Term. Such royalty reports will provide, on a Licensed Product-by-Licensed Product and country-by-country basis, the Net Sales during the reporting period, the applicable royalty rate(s) from Sections 5.4.2, any deductions made pursuant to Section 5.4.3, and a calculation of the resulting royalty payment due through the end of the reporting period.

5.4.5 OPI will pay the royalties due for a reporting period contemporaneously with the submission of the report due under Section 5.4.6. OPI will tender all royalty payments to Otodyne.

5.4.6 Together with or promptly after the royalty report due for the fourth quarter of each calendar year in which Net Sales occur, OPI shall provide Licensors with an annual summary that sets forth the cumulative amounts of the information reported in the quarterly royalty reports due under Section 5.4.4 for such calendar year.

5.5 Sales Milestone Payments.

5.5.1 OPI will notify Licensors of the occurrence of any "Sales Milestone" set forth in **Table 5.5** below within 30 days after the achievement of the corresponding "Threshold". The "Threshold" for purposes of such payments is the cumulative Net Sales of all Licensed Products during all Royalty Terms worldwide in a given calendar year.

Table 5.5: Sales Milestones

Sales Milestones	Milestone Payment (in millions)	Threshold
Sales Milestone #1	***	$1.0 billion
Sales Milestone #2	***	***
Sales Milestone #3	***	***
Subtotal—Sales Milestones	**$36.0**	

5.5.2 OPI will only be required to pay each of Sales Milestones #1, #2 and #3 one time. Each Sales Milestone payment will become payable based on the first occurrence of cumulative Net Sales in a calendar year that equals or exceeds the applicable "Threshold", regardless of whether or not any other Sales Milestone is first achieved in the same calendar year. OPI will pay the amount of the "Milestone Payment" that corresponds to each such "Sales Milestone" as specified in **Table 5.5** contemporaneously with the notice that such milestone has been achieved to be provided under 5.5.1. OPI will pay each such amount to Otodyne.

5.6 Method of Payments.

Each payment hereunder will be made in United States Dollars by check or electronic funds transfer in immediately available funds to such bank account as each Licensor will designate in writing to OPI. Such payments will be net of any withholding Taxes required by applicable Law as further provided in Section 5.8. OPI may pay any amount due hereunder directly to Otodyne or cause any of OPI's Affiliates organized under the laws of any State within the USA to pay such amount.

5.7 Inspection of Records.

For at least 3 years after the end of any calendar year in which Net Sales occurred in a country, OPI will keep accurate books and records setting forth the Net Sales of each Licensed Product in each country for such calendar year. OPI will permit a Licensor, using independent certified public accountants engaged by such Licensor and approved by OPI, to examine such books and records at any reasonable time, upon reasonable notice; *provided, however, that* OPI will not be required to produce for inspection any such records relating to any period other than the 3 most recently ended calendar years. The foregoing right of examination (i) may be exercised only once during each calendar year and one additional time during the 3-year period after the Term and (ii) may not be exercised with respect to any period that was previously subject to such inspection. OPI may require such accountants to enter into a reasonably acceptable confidentiality agreement, and in no event will such accountants disclose to Licensors or their Representatives any information, other than such as relates to the accuracy of the corresponding payments required to be made under this Agreement. The opinion of said independent accountants regarding such reports and related payments will be binding on the Parties, other than in the case of manifest error. If OPI alleges that such opinion is in error, then the Parties may have the independent accountants review the relevant books and records a second time to confirm whether or not such alleged error exists. The examining Licensor will bear the cost of any such examination and review; *provided, however, that* if the examination shows an underpayment of any amounts due of more than both (i) ***% of the amount due for an applicable calendar year and (ii) ***, then OPI will promptly reimburse the examining Licensor for its reasonable out-of-pocket expenses actually incurred in connection with such examination. OPI will promptly pay to Licensors the amount of any underpayment of amounts due revealed by any such examination.

5.8 Tax Matters.

5.8.1 "***Tax***" or "***Taxes***" means all taxes, charges, duties, fees, levies or other assessments, including income, excise, property, sales, consumption, use, value added, profits, license, withholding (with respect to compensation or otherwise), payroll, employment, net worth, capital gains, transfer, stamp, social security, environmental, occupation and franchise taxes, imposed by any Governmental Authority, and including any interest, penalties and additions attributable thereto, and all amounts payable pursuant to an agreement or arrangement with respect to taxes.

5.8.2 The Parties agree to cooperate and produce on a timely basis any Tax forms or reports reasonably requested by the other Party in connection with any payment made under this Agreement. Each Party further agrees to provide reasonable cooperation to the other Party, at the other Party's expense, in connection with any official or unofficial Tax audit or contest relating to payments made by the other Party under this Agreement.

5.8.3 Any payments made by a Party pursuant to this Agreement will not be reduced on account of any Taxes unless required by applicable Law. Each Licensor will be responsible for paying any and all Taxes (other than withholding taxes required to be paid by OPI under applicable Law) levied on account of, or measured in whole or in part by reference to, any payments it receives. OPI will deduct or withhold from the payments any Taxes that OPI is required to deduct or withhold under applicable Law. If, in accordance with the foregoing, OPI withholds any amount from a payment to a Licensor, such withheld amount shall be deemed paid by OPI to the applicable Licensor pursuant to this Agreement, and OPI will (a) timely remit to the applicable Licensor the balance of such payment; (b) timely remit the full amount withheld to the proper Governmental Authority; and (c) send to the applicable Licensor written proof of remittance of the full amount withheld within 30 days following remittance.

ARTICLE 6

CONFIDENTIALITY

6.1 Confidential Information.

6.1.1 "***Confidential Information***" means any information regarding the business and operations of a Party or any of its Representatives, that is or has been disclosed (whether orally or in writing) by such Party or its Representatives ("***Discloser***") to another Party or its Representatives ("***Recipient***"), in each case, except to the extent that such information is either:

(a) as of the date of disclosure to the Recipient, known to the Recipient (other than pursuant to an obligation of confidentiality to the Discloser);

(b) is or becomes disclosed in published literature or otherwise generally known to the public through no breach by the Recipient of this Agreement;

(c) obtained by the Recipient from a Third Party free from any obligation of confidentiality to the Discloser; or

(d) independently developed by the Recipient without use of the information disclosed to the Recipient by the Discloser.

Confidential Information includes such information exchanged between the Parties or their respective Representatives before the Effective Date pursuant to the Confidentiality Agreement.

6.1.2 The Licensed Technology and unpublished Licensed Patents constitute the Confidential Information of the applicable Licensor. All OPI Improvement Technology, unpublished OPI Improvement Patents, reports submitted to Licensors by OPI pursuant to Article 5 or information examined by Licensor's(s') auditors pursuant to Section 5.7, and communications with Regulatory Authorities concerning any Licensed Product are, as between

the Parties, the Confidential Information of OPI. Moreover, notwithstanding that a Licensor or its Representative is the Discloser of any of the Licensed Technology or OPI Improvement Technology, each of the Licensors will be deemed the Recipient of its Licensed Technology for purposes of this Article (but exceptions (a) and (d) of Section 6.1.1 will not apply to the Licensors in respect of Licensed Technology or OPI Improvement Technology).

6.1.3 The terms of this Agreement are the Confidential Information of both Parties as a Discloser thereof (and for which each Party is deemed a Recipient).

6.2 Obligations of Confidentiality; Permitted Disclosures.

6.2.1 Except as otherwise provided in this Agreement, during the Term and for 10 years thereafter, Recipient (a) will keep confidential, and will cause its Representatives to keep confidential, all of the Confidential Information of Discloser, and (b) will not disclose the Confidential Information of Discloser to any Third Party. Recipient agrees to take such action, and to cause its Representatives to take such action, to preserve the confidentiality of the Confidential Information of Discloser as Recipient would customarily take to preserve the confidentiality of the Recipient's own similar types of Confidential Information, but in no case using less than a reasonable degree of care.

6.2.2 Notwithstanding anything to the contrary in this Article, the Recipient and its Representatives may disclose the Confidential Information of a Discloser in connection with the exercise of rights granted to it hereunder to:

(a) Governmental Authorities, including Regulatory Authorities, to the extent reasonably deemed desirable or necessary to apply for, obtain or maintain INDs or Regulatory Approvals for Licensed Products or file applications for, prosecute, maintain or enforce Licensed Patents or OPI Improvement Patents;

(b) other Representatives, advisory boards, managed care organizations, and non-clinical and clinical investigators; *provided, however,* that the Recipient enters into a confidentiality agreement or otherwise has an enforceable obligation of confidentiality with such Person before disclosing any of the Discloser's Confidential Information;

(c) in connection with prosecuting or defending litigation; *provided, however*, that the Recipient or its Representative uses reasonable efforts to limit the dissemination of such information, including by use of protective orders and the like, as such Recipient would use for its own similar types of Confidential Information;

(d) in connection with the resolution of disputes under this Agreement; *provided, however*, that such Recipient will use reasonable efforts to limit the dissemination of such information, including by use of protective orders and the like, as such Recipient would use for its own similar types of Confidential Information;

(e) in connection with filings required by security regulations and the rules and regulations of any securities exchanges upon which the Recipient's securities are traded; *provided, however*, that such Recipient will use reasonable efforts to limit the dissemination of such information, including by use of protective orders and the like, as such Recipient would use for its own similar types of Confidential Information; and

(f) in connection with a potential Change of Control of a Receiving Party, to permitted assignees or existing and potential investors or lenders of the Receiving Party, or to potential Sublicensees, in each case under a written agreement to keep the terms of this Agreement confidential and to use the Confidential Information solely for the purpose disclosed.

6.3 Transaction Publicity.

The Parties will use their respective best efforts to mutually agree to an initial joint press release announcing the execution of this Agreement as promptly as reasonably possible, but in any event not later than such time as a Party is required by applicable Law to make such an announcement publicly, and thereafter promptly disseminate such press release; *provided, however, that* a Party may, if required by applicable Law, announce the execution of this Agreement in the absence of such mutual agreement over the content thereof.

6.4 No Use of Names Without Consent.

Neither Party may use of the name, professional accreditation, standing, licensure, office(s) or any other indicia of identity related to the other Party or its Representatives within any publications, announcements or other public disclosures without said Person(s) advance, written consent. Notwithstanding the foregoing, OPI and its Representatives may continue to rely upon any such disclosures made in the Licensed Technology in the form provided by Licensors or made by Licensors to any Regulatory Authority.

6.5 Publication of Clinical Trial Results.

Notwithstanding anything to the contrary in this Article, OPI may publish any data within the Licensed Technology or otherwise resulting from Clinical Trials conducted on a Licensed Product without consent of either Licensor.

ARTICLE 7

REPRESENTATIONS AND WARRANTIES

7.1 Licensors Representations and Warranties.

Each Licensor, jointly and severally, hereby represents and warrants to OPI that, as of the Effective Date:

7.1.1 SDRI is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of New Jersey and, Otodyne is a corporation duly incorporated, validly existing, and in good standing under the laws of the State of Delaware. Each Licensor has the corporate power and authority to execute and deliver the Transaction Documents and to perform its obligations under the Transaction Documents and this Agreement. The execution, delivery and performance of the Transaction Documents by each Licensor have been duly and validly authorized and approved by proper corporate action on the part of each Licensor, each Licensor has taken all other action required by Law, its certificate of incorporation, by-laws or other organizational documents to authorize such execution, delivery and performance. Each of the Transaction Documents constitutes a legal, valid and binding obligation of each Licensor, enforceable against each Licensor in accordance within its terms, except as enforceability may be limited by applicable equitable principles or bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally. No notice to or consent, approval, authorization, order, filing, registration or qualification of or with any court, Governmental Authority or any Person(s) not a party to this Agreement or other Transaction Document is required to be made or obtained by a Licensor in connection with the execution and delivery of the Transaction Documents or the consummation by the Licensors of the transactions contemplated thereby.

7.1.2 Neither the execution and delivery of this Agreement or any other Transaction Document nor the consummation of the transactions contemplated hereby or thereby will (a) result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, require any consent of or notice to any Person pursuant to, give to others any right of termination, amendment, modification, acceleration or cancellation of, allow the imposition of any fees or penalties, require the offering or making of any payment or redemption, give rise to any increased, guaranteed, accelerated or additional rights or entitlements of any Person or otherwise adversely affect any rights of any Licensor under, or result in the creation of any Lien on any of the Licensed Patents, Licensed Technology or Licensed Products pursuant to, any Contract or Governmental Authorization of a Licensor, (b) violate, conflict with or result in a breach of or constitute a default under any provision of the certificate of incorporation or bylaws or other organizational documents of a Licensor, (c) violate, conflict with or result in a breach of or constitute a default under any judgment, order, decree, rule or regulation of any court or Governmental Authority to which a Licensor or any of the Licensed Patents, Licensed Technology or Licensed Products is subject or may be bound or (d) violate, conflict with or result in a breach of any Laws or applicable regulations to which a Licensor or any of the Licensed Patents, Licensed Technology or Licensed Products is subject or may be bound.

7.1.3 To the Knowledge of Licensors, there is no, and within the past five years there has not been any, action, claim (including regarding infringement of Intellectual Property), complaint, demand, suit, proceeding, arbitration, grievance, citation, notice of non-compliance, summons, subpoena, request for information by a Governmental Authority, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to the Knowledge of Licensors, threatened against a Licensor or any of its Representatives relating to the Licensed Patents, Licensed Technology or Licensed Products, the exploitation of the foregoing, or the transactions contemplated by the Transaction Documents. There are no, and there have not been any judicial orders, writs, injunctions, decrees, judgments or stipulations in force against a Licensor or its Representatives (in their capacity as such) with respect to the Licensed Patents, Licensed Technology or Licensed Products.

7.1.4 To the Knowledge of Licensors, the Licensors and their Representatives have disclosed to OPI:

(a) all material scientific and technical information, including any publications, posters, CMC data, pharmacokinetics data, and Regulatory Documentation relating to Licensed Products or their manufacture or use as such exists as of the Effective Date;

(b) correct and complete copies of all submissions, if any, of Licensors to the FDA, or any other similar state or foreign Governmental Authority relating to any Licensed Product, and all amendments and supplements thereto, including all related pre-clinical and clinical data, and all related complaint information, adverse event information and safety information;

(c) all material information relating to the Licensed Patents and Licensed Technology, including any invention disclosures, prior art search results and related memoranda and patentability opinions or evaluations, validity and enforceability searches and opinions or evaluations, freedom to operate searches and opinions or evaluations, and correspondence with and interview notes or other notes regarding communications with any of the inventor(s) and all other such material information in the possession of Licensor or their Representatives as of the Effective Date (including all material facts and publications that could constitute prior art, whether discovered before or after filing of the subject patent application) that, in such attorney(s),' agent(s),' or employees' reasonable judgment likely would be relevant to any Governmental Authority's consideration of whether any of the Licensed Patents are patentable/unpatentable, valid/invalid or enforceable/unenforceable.

7.1.5 The scientific, technical and other information relating to the Licensed Patents, Licensed Technology and Licensed Products disclosed or made available by a Licensor or any of their Representatives to OPI has been, to the Knowledge of Licensors, true and correct in all respects, experimental data therein is based upon actual experimentation conducted by or on behalf of Licensors or their Representatives, and includes any adverse information known to a Licensor or its Representatives relating to the Licensed Patents, Licensed Technology or Licensed Products.

7.1.6 Except for the IND identified on **Schedule 2**, no IND has been filed by Licensor or any of its Representatives with any Regulatory Authority in any country involving any Licensed Product or any of the Licensed Technology. Neither Licensors nor any of their Representatives is currently:

(a) working to file on his/her/its or another Person's behalf own behalf,

(b) advising or consulting with any Person in preparation for or in connection with filing,

(c) holding an investment in or providing debt financing to any Person that is preparing to file, or

(d) assisting or encouraging any Person in connection with,

any submission to a Regulatory Authority in any country involving any Licensed Product or any of the Licensed Technology.

7.1.7 To the Knowledge of Licensors, the manufacture, use, sale, offer for sale, and import of any other Licensed Products based upon the Licensed Technology as it exists on the Effective Date, including Licensed Products described in the IND identified on **Schedule 2**, does not, and if were the subject of Regulatory Approval, would not, infringe the Patent rights of any Person. The use, reproduction or disclosure of the Licensed Technology to OPI pursuant to the terms of this Agreement, and OPI's exercise of its rights hereunder in connection therewith, does not, and to the Knowledge of Licensors, after the Effective Date will not, infringe, misappropriate or otherwise violate the trade secret rights or copyrights of any other Person. Neither Licensor nor any of its Representatives has received any allegation that the manufacture, use, sale, offer for sale, and import of Licensed Products or Licensed Technology infringes or will infringe the Patents of any Third Party or infringes, misappropriates or otherwise violates or will infringe, misappropriate or otherwise violate the intellectual property rights of any Person.

7.1.8 Except as specified within the SDRI-Otodyne Agreement, each Licensor has the unrestricted right to grant to OPI all rights in the Licensed Patents and Licensed Technology that are being granted to OPI under this Agreement upon the terms set forth herein. Neither Licensor nor any of its Representatives has granted any license or sublicense to any rights in the Licensed Patents or Licensed Technology to any Third Party that are in conflict with the rights granted to OPI in this Agreement.

7.1.9 **Schedule 3** sets forth, with the owner, country(ies) or region, registration and application numbers and dates indicated, as applicable, all Licensed Patents that have issued or that have been applied for and are pending issuance with any Governmental Authority. All fees, taxes, annuities and other payments associated with filing, prosecuting, issuing, recording, registering or maintaining Licensed Patents have been paid in full in a timely manner to the proper Governmental Authority as of the Effective Date. Except as specified on **Schedule 3** otherwise, each Licensed Patent listed or required to be listed thereon is owned solely by a Licensor, is active, is valid and enforceable (if granted), and the ownership of the entire right, title and interest is recorded (through its entire chain of title beginning with and including each inventor) with the applicable Governmental Authority solely in the name of a Licensor. Each Licensor's Representatives that have been involved in prosecution of the Licensed Patents are not aware of any information that, in their reasonable judgment, would likely render any of the granted Licensed Patents invalid or unenforceable and that is not part of the publicly available file history. Each Licensor and its Representatives have complied with all duties of candor owed to each Governmental Authority with respect to each of the Licensed Patents.

7.1.10 Licensors and their Representatives have taken reasonable and customary measures to maintain and protect, as applicable, the confidentiality of the Confidential Information within the Licensed Technology.

7.1.11 All Representatives of Licensors who are or were involved in the design, creation, conception, reduction to practice or development of Licensed Technology or Licensed Patents or who were provided the composition of the Licensed Products manufactured before the Effective Date using the Licensed Technology or claimed by the Licensed Patents, have executed written Contracts (a) obligating them not to disclose the Confidential Information within the Licensed Technology, (b) specifying that all tangible materials that result from work performed by them on behalf of a Licensor or its Affiliate is "work made for hire" under U.S. copyright laws or that they are otherwise obligated to assign to Licensor all copyrights in such works, and (c) specifying that Licensor solely owns and that such Representative assigns, immediately upon conception or creation, all other Intellectual Property rights relating to the Licensed Technology and Licensed Patents.

7.1.12 Except as described on **Schedule 4**, none of the Consultants or other Representatives of a Licensor is an inventor or author of any Technology or Patent necessary for or reasonably useful to the Development, manufacturing, seeking or obtaining Regulatory Approval for, or commercialization of any Licensed Product that has not been assigned to a Licensor. Except as described on **Schedule 4**, none of the Consultants or other Representatives of a Licensor owns, in whole or in part, or has been granted a licensed to, any Technology or Patent necessary for or reasonably useful to the Development or manufacturing of, seeking or obtaining Regulatory Approval for, or marketing, distribution, sale or other commercialization of, any Licensed Product. Except as described on **Schedule 4**, no Person has alleged to Licensor or any of its Representatives that any Third Party owns, in whole or in part, any of the Licensed Technology or Licensed Patents, and to the Knowledge of Licensors, there is no reasonable basis for any such allegation. Without limiting the foregoing, except as described on **Schedule 4**, neither Cirrus Pharmaceuticals, Inc., Pharmakey LLC, Marianne Mann, M.D. nor any of their respective Representatives are an inventor or author of, or otherwise own or claim to own, any Technology or Patent necessary for or reasonably useful to the Development, manufacturing, seeking or obtaining Regulatory Approval for, or commercialization of any Licensed Product that has not been assigned to a Licensor as of the Effective Date.

7.1.13 Except as specified in the SDRI-Otodyne Agreement, neither Licensor nor any of their Representatives has been granted a license, covenant not to sue, immunity from suit or similar right from any Person under any Intellectual Property contained within, necessary for, or reasonably useful to the Development, manufacturing, seeking or obtaining Regulatory Approval for, or commercialization of any Licensed Product or other exploitation of any of the Licensed Technology or Licensed Patents.

7.1.14 Except for those Contracts listed in clauses a. – d. of item no. 17 on **Schedule 2**, neither Licensor nor any of their Representatives is (or was) a party to any Contract (whether or not in effect as of the Effective Date) relating to the Development, manufacturing, seeking or maintaining Regulatory Approval for, or commercialization of any Licensed Product. All of the Contracts listed in clauses a. – c. of item no. 17 on **Schedule 2** are terminated as of the Effective Date and the Contract listed in clause d. of item no. 17 on **Schedule 2** was only a quotation that was never accepted so never became a binding Contract.

7.1.15 Licensors: (a) have not received any FDA Form 483, notice of adverse finding, warning letter, untitled letter or other correspondence or notice from the FDA or any other Governmental Authority alleging or asserting material noncompliance with any Laws or any Governmental Authorizations in connection with the Licensed Products; (b) has not received

notice of any proceeding from the FDA or any other Governmental Authority or Third Party alleging that any Licensed Product is in violation of any Laws or Governmental Authorizations and to the Knowledge of Licensors neither the FDA nor any other Governmental Authority or Third Party is considering any such proceeding; (c) has not received notice that the FDA or any other Governmental Authority has taken, is taking or intends to take action to limit, suspend, modify or revoke any Governmental Authorizations related to the Licensed Products; (d) has filed, obtained, maintained or submitted all material reports, documents, forms, notices, applications, records, claims, submissions and supplements or amendments with respect to the Licensed Products as required by any Laws or Governmental Authorities; and (e) to the Knowledge of Licensors their manufacturers and suppliers have at all times manufactured all products and compounds in compliance with current Good Manufacturing Practices for the manufacture of products as are required by applicable Governmental Authorities or applicable Law in the relevant jurisdiction, including the rules and regulations of the FDA.

7.1.16 All preclinical investigations sponsored by Licensors relating to the Licensed Products have been and are being conducted in material compliance with applicable Laws. Licensors have not received any notices or other correspondence from the FDA or any other Governmental Authority performing functions similar to those performed by the FDA with respect to any ongoing clinical or pre-clinical studies or tests relating to Licensed Products requiring the termination, suspension or material modification of such studies or tests.

7.1.17 Neither Licensor nor any of its Representatives has conducted any clinical investigation involving a Licensed Product anywhere in the world nor collected any protected or individually identifiable health information from any Person.

7.1.18 Licensors have not (a) made an untrue statement of a material fact or fraudulent statement to the FDA or any Governmental Authority, (b) failed to disclose a material fact required to be disclosed to the FDA or any Governmental Authority, (c) committed any other act, made any statement or failed to make any statement, that (in any such case) establishes a reasonable basis for the FDA to invoke its Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Policy or for any other state or foreign Governmental Authority to invoke any similar policy. Licensors are not the subject of any pending or, to the Knowledge of Licensors, threatened investigation by the FDA pursuant to its Fraud, Untrue Statements of Material Facts, Bribery, and Illegal Gratuities Final Policy. Neither Licensors, nor any of their Representatives or Affiliates or, to the Knowledge of Licensors, any of their respective collaboration partners, agents or subcontractors with respect to the Licensed Products has been convicted of any crime or engaged in any conduct which has resulted or could result in debarment or disqualification by the FDA or any other Governmental Authority.

7.2 Otodyne Representations

7.2.1 Otodyne is a resident of, or is organized under the laws of, the State of Delaware.

7.2.2 The Shares will be acquired for investment for Otodyne's own account, not as a nominee or agent, and not with a view to the sale or distribution of any part thereof, and Otodyne has no present intention of selling, granting participation in, or otherwise distributing the Shares. Otodyne does not have any contract, undertaking, agreement, or arrangement with any person to sell, transfer or grant participations to any Third Party, with respect to any of the Shares.

7.2.3 Otodyne understands that the Shares have not been registered under the Securities Act of 1933, as amended (the "***1933 Act***") Act on the grounds that the sale provided for in this Agreement and the issuance of securities hereunder is exempt from registration under the 1933 Act, and that OPI's reliance on such exemption is predicated in part on Otodyne's representations set forth herein. Otodyne realizes that the basis for the exemption may not be present if, notwithstanding such representations, Otodyne has in mind merely acquiring the Shares for a fixed or determined period in the future, or for a market rise, or for sale if the market does not rise. Otodyne does not have any such intention.

7.2.4 Otodyne represents that Otodyne is experienced in evaluating early-stage companies such as OPI, is able to fend for Otodyne's own self in the transactions contemplated by this Agreement, has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of Otodyne's investment, and has the ability to bear the economic risks of Otodyne's investment. Otodyne further represents that Otodyne has had access, during the course of the transactions and prior to Otodyne's acquisition of the Shares, to all such information as Otodyne deemed necessary or appropriate (to the extent OPI possessed such information or could acquire it without unreasonable effort or expense), and that Otodyne has had, during the course of the transactions and prior to Otodyne's acquisition of the Shares, the opportunity to ask questions of, and receive answers from, OPI concerning the terms and conditions of the offering and to obtain additional information (to the extent OPI possessed such information or could acquire it without unreasonable effort or expense) necessary to verify the accuracy of any information furnished to Otodyne or to which Otodyne had access.

7.2.5 Otodyne understands that the Shares may not be sold, transferred or otherwise disposed of without registration under the 1933 Act or an exemption therefrom, and that in the absence of an effective registration statement covering the Shares or an available exemption from registration under the 1933 Act, the Shares must be held indefinitely. In particular, Otodyne is aware that the Shares may not be sold pursuant to Rule 144 promulgated under the 1933 Act unless all of the conditions of that Rule are met. Among the conditions for use of Rule 144 is the availability of current information to the public about OPI. Such information is not now available and OPI has no present plans to make such information available. Otodyne represents that, in the absence of an effective registration statement covering the Shares, Otodyne will sell, transfer, or otherwise dispose of the Shares only in a manner consistent with Otodyne's representations set forth herein.

7.2.6 Otodyne agrees that in no event will Otodyne make a transfer or disposition of any of the Shares (other than pursuant to an effective registration statement under the 1933 Act or, to OPI's reasonable satisfaction, pursuant to Rule 144), unless and until (i) Otodyne shall have notified OPI of the proposed disposition and shall have furnished OPI with a statement of the circumstances surrounding the disposition and (ii) if requested by OPI, at the expense of Otodyne or transferee, Otodyne shall have furnished to OPI an opinion of counsel, reasonably satisfactory to OPI, to the effect that such transfer may be made without registration under the 1933 Act.

7.2.7 Otodyne understands that each certificate representing the Shares will be endorsed with a legend substantially as follows:

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, OR APPLICABLE STATE SECURITIES LAWS. THESE SECURITIES HAVE BEEN ACQUIRED FOR INVESTMENT AND NOT WITH A VIEW TO DISTRIBUTION OR RESALE, AND MAY NOT BE SOLD, MORTGAGED, PLEDGED, HYPOTHECATED OR OTHERWISE TRANSFERRED WITHOUT AN EFFECTIVE REGISTRATION STATEMENT FOR SUCH SECURITIES UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND ANY APPLICABLE STATE SECURITIES LAWS, OR THE AVAILABILITY OF AN EXEMPTION FROM THE REGISTRATION PROVISIONS OF THE SECURITIES ACT OF 1933, AS AMENDED, AND APPLICABLE STATE SECURITIES LAWS.

7.2.8 Otodyne represents that it is an "Accredited Investor" as such term is defined in Rule 501 of Regulation D promulgated under the 1933 Act.

7.2.9 Otodyne understands that no public market now exists for any of the securities issued by OPI and that there is no assurance that a public market will ever exist for the Shares.

7.3 OPI Representations and Warranties.

OPI hereby represents and warrants to the Licensors that, as of the Effective Date:

7.3.1 OPI is corporation duly formed and validly existing under the laws of the State of Delaware, has the corporate power and authority to execute and deliver the Transaction Documents and to perform its obligations under the Transaction Documents, the execution, delivery and performance of the Transaction Documents by OPI has been duly and validly authorized and approved by proper corporate action on the part of OPI, OPI has taken all other action required by Law, its certificate of incorporation, by-laws or other organizational documents to authorize such execution, delivery and performance, and the Transaction Documents constitute a legal, valid and binding obligation of OPI, enforceable against OPI in accordance with their terms, except as enforceability may be limited by applicable equitable principles or bankruptcy, insolvency, reorganization, moratorium or similar Laws affecting creditors' rights generally.

7.3.2 Neither the execution and delivery of this Agreement or any other Transaction Document nor the consummation of the transactions contemplated hereby or thereby will (a) result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, require any consent of or notice to any Person pursuant to, give to others any right of termination, amendment, modification, acceleration or cancellation of, allow the imposition of any fees or penalties, require the offering or making of any payment or redemption, give rise to any increased, guaranteed, accelerated or additional rights or entitlements of any Person or otherwise adversely affect any rights of OPI under any Contract or Governmental Authorization of OPI, (b) violate, conflict with or result in a breach of or

constitute a default under any provision of the organizational documents of OPI, (c) violate, conflict with or result in a breach of or constitute a default under any judgment, order, decree, rule or regulation of any court or Governmental Authority to which OPI is subject or may be bound or (d) violate, conflict with or result in a breach of any Laws or applicable regulations to which OPI is subject or may be bound.

7.3.3 There is no action, claim, complaint, demand, suit, proceeding, arbitration, grievance, citation, summons, subpoena, request for information by a Governmental Authority, inquiry or investigation of any nature, civil, criminal, regulatory or otherwise, in law or in equity, pending or, to the knowledge of OPI, threatened against OPI or any of its Representatives relating to the Licensed Technology, the Licensed Patents, the exploitation of the foregoing or Licensed Products, or the transactions contemplated by the Transaction Documents.

7.3.4 OPI or it Representatives have experience in the regulatory and commercial Development of pharmaceutical products. OPI will have sufficient financial resources at the applicable time in order for OPI to fulfil its obligations under this Agreement. OPI, including through its Representatives, has the know how to market and sell Licensed Products that receive final Regulatory Approval pursuant to this Agreement.

7.4 DISCLAIMER.

EXCEPT AS OTHERWISE EXPRESSLY STATED IN SECTIONS 7.1 AND 7.2, NO PARTY MAKES ANY REPRESENTATION OR WARRANTY OF ANY KIND WITH RESPECT TO ANY PRODUCTS, TECHNOLOGY, INTELLECTUAL PROPERTY RIGHTS OR ANY OTHER SUBJECT MATTER UNDER THIS AGREEMENT. EXCEPT AS OTHERWISE PROVIDED IN SECTIONS 7.1 AND 7.2, EACH PARTY EXPRESSLY DISCLAIMS ALL SUCH OTHER REPRESENTATIONS AND WARRANTIES, EXPRESS OR IMPLIED, INCLUDING ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE OR AGAINST INFRINGEMENT.

ARTICLE 8

TERM AND TERMINATION

8.1 Term.

8.1.1 This Agreement will be effective as of the Effective Date and, unless terminated sooner pursuant to Section 8.2, will remain in effect, on a Licensed Product-by-Licensed Product and country-by-country basis, for the duration of the Royalty Term applicable to such Licensed Product in each country. This Agreement will terminate in its entirety, unless terminated sooner pursuant to Section 8.2, upon expiration of the last Royalty Term.

8.1.2 The period from the Effective Date until termination (for any reason) of this Agreement in its entirety is the "***Term***" of this Agreement.

8.2 Termination Rights.

8.2.1 If OPI materially breaches or materially defaults in the performance or observance of any of its respective obligations under a material term of this Agreement, Licensors may terminate this Agreement as follows:

(a) if the breach was deliberate, then upon 60 days notice if OPI has not cured the breach within such 60-day notice period; and

(b) if the breach was not deliberate and can be cured within 60 days after notice thereof, then upon 60 days notice if OPI has not cured the breach within such 60-day notice period; and

(c) if the breach was not deliberate but reasonably cannot be cured within 60 days after notice of breach, then upon 60 days notice unless before the end of such 60 days, OPI has (i) discontinued the breaching act, used Commercially Reasonable Efforts to cure the breach to the extent possible within such 60-day period and has implemented all commercially reasonable steps to further cure such breach to the extent possible and to prevent further occurrences of such breach.

Notwithstanding the foregoing provisions of this Section 8.2.1, if OPI disputes that OPI materially breached any material term of this Agreement within the relevant 60 day period this Agreement shall not terminate unless such dispute is finally resolved pursuant to Section 10.1 where such resolution is that OPI did materially breach a material term of this Agreement and OPI fails to cure such material breach within 60 days after OPI's receipt in writing of the final resolution of such dispute.

8.2.2 OPI may terminate this Agreement in its entirety at any time for any or no reason, without consent of either Licensor by 90 days advance notice to the Licensors.

8.2.3 If either Licensor materially breaches or materially defaults in the performance or observance of any of its respective obligations under a material term of this Agreement, OPI may terminate this Agreement as follows:

(a) if the breach was deliberate, then upon 60 days notice if such Licensor has not cured the breach within such 60-day notice period; and

(b) if the breach was not deliberate and can be cured within 60 days after notice thereof, then upon 60 days notice if such Licensor has not cured the breach within such 60-day notice period;

(c) if the breach was not deliberate but reasonably cannot be cured within 60 days after notice of breach, then upon 60 days notice unless before the end of such 60 day notice period the Licensor has (i) discontinued the breaching act, used commercially reasonable efforts to cure the breach to the extent possible within such 60-day period and has implemented all commercially reasonable steps to further cure such breach to the extent possible and to prevent further occurrences of such breach.

Notwithstanding the foregoing provisions of this Section 8.2.3, if such Licensor disputes that such Licensor materially breached any material term of this Agreement within the relevant 60 day period this Agreement shall not terminate unless such dispute is finally resolved pursuant to Section 10.1 where such resolution is that such Licensor did materially breach a material term of this Agreement and such Licensor fails to cure such material breach within 60 days after such Licensor's receipt in writing of the final resolution of such dispute.

8.2.4 Neither Licensor may terminate this Agreement for any form of breach by the other Licensor.

8.3 Effects of Termination.

8.3.1 Upon expiration of the Royalty Term for a Licensed Product in a country, the rights and licenses granted to OPI under Article 4 with respect to the Licensed Patents and Licensed Technology for such Licensed Product in such country will survive termination as further provided in Section 5.4.1 (along with OPI's obligations to make all payments due for Net Sales on such Licensed Product in such country occurring during the applicable Royalty Term) until no Intellectual Property rights of Licensors remain in such Licensed Product in such country. Upon termination of this Agreement pursuant to Section 8.1.1 as a result of expiration of the last Royalty Term, the rights and licenses granted to OPI under Article 4 with respect to the Licensed Patents and Licensed Technology will survive termination until no Intellectual Property rights of Licensors remain in the Licensed Patents and Licensed Technology.

8.3.2 Upon termination of this Agreement during any such time as any clinical trials involving a Licensed Product are being conducted by OPI, its Affiliates, or their Representatives, OPI and any other such Person will be entitled to complete the clinical trials to the extent reasonably necessary to comply with applicable Law.

8.3.3 Upon termination of this Agreement pursuant to Section 8.2, except as otherwise provided in Sections 8.3.1 and 8.3.2, the rights and licenses granted to OPI under Article 4 with respect to the Licensed Patents and Licensed Technology terminate and revert to Licensors.

8.3.4 If (a) OPI provides a notice of termination under Section 8.2.2 after one year after the Effective Date and before Regulatory Approval of any Product in the USA or any of the Major European Countries, (b) none of the material representations made by either Licensor were inaccurate or untrue when made as of the Effective Date, (c) neither Licensor is in breach of this Agreement at the time of notice, and (d) such termination is not based upon any adverse event or other event or combination of events that presents difficulties in obtaining Regulatory Approval or conducting activities, such as clinical studies, required to obtain Regulatory Approval for Products, then OPI must pay to Otodyne the sum of $*** on or before the end of the 90-day notice period of termination. No such amount is due for termination if each of the foregoing conditions in clauses (a) – (d) is not satisfied.

8.3.5 If this Agreement is terminated either (i) by a Licensor pursuant to Section 8.2.1 or (ii) by OPI pursuant to Section 8.2.2 *before* the first Regulatory Approval for any Licensed Product, OPI will:

(a) within 90 days after termination, return to Otodyne the originals of all tangible embodiments of the Licensed Technology in the form provided by a Licensor or any of its Representatives to OPI, its Affiliate or their respective Representatives under Section 2.1, including materials (to the extent not used up), data, and records;

(b) use reasonable efforts to provide to Otodyne within 90 days after termination all of OPI's and its Affiliates' inventory of the Licensed Products in possession of OPI or its Affiliates at the time of termination (ALL OF WHICH WILL BE PROVIDED ON AN AS-IS, WHERE-IS, WITH ALL FAULTS BASIS AND WITHOUT ANY WARRANTY OF ANY KIND WHATSOEVER, EXPRESS OR IMPLIED, ALL OF WHICH WARRANTIES ARE HEREBY DISCLAIMED);

(c) within 90 days after termination, provide to Otodyne a copy of all data referred to or relied upon in generating the Regulatory Documentation submitted by OPI or its Affiliates to any Regulatory Authority related to any Licensed Products;

(d) if requested by Otodyne in writing within 30 days after termination, promptly thereafter transfer ownership of, and rights under, all such Regulatory Documentation related to Licensed Products, including each such IND, to Otodyne, and, with Otodyne's input and direction, complete all relevant activities related to the transfer of such IND(s), including the submission of relevant notices to the FDA in a form and substance satisfactory to Otodyne, and if requested by Otodyne, also (x) send letters (in form and substance satisfactory to Otodyne) to the FDA and other Regulatory Authorities indicating that any other Regulatory Documentation are transferred to Otodyne and that Otodyne is the new owner of the Regulatory Documentation as of the Effective Date, (y) send letters to all applicable IRBs or other relevant entities and similar committees to direct product-related communications to Otodyne commencing on the date of the transfer of ownership of the corresponding Regulatory Documentation, and (z) provide to Otodyne a copy of such letters;

(e) not, and will cause its Affiliates not to, on a country-by-country basis until the first to occur of (I) 8 years after the Effective Date and (II) Generic Competition in each country, either (A) further research, Develop, manufacture, seek or maintain Regulatory Approval for, market, sell, distribute or otherwise commercialize any Licensed Product, or otherwise compete with any Licensed Product using a product based upon similar technology as the Licensed Technology, or own an interest in any entity that does so compete or (B) grant or offer to grant a license under any OPI Improvement Technology or OPI Improvement Patents for any Licensed Product to any non-Affiliate to compete with any Licensed Product using a product based upon similar technology as the Licensed Technology; and

(f) will grant to Otodyne a worldwide, non-exclusive, royalty-free license under the OPI Improvement Technology and OPI Improvement Patents to the extent necessary for Otodyne to exploit any and all versions of Licensed Products that exist as of the date of termination; *provided, however, that* if OPI assigns or otherwise transfers its interest in this Agreement as permitted hereunder, then the Intellectual Property rights of the assignee or successor and any of its Affiliates that existed before such assignment or transfer or that are conceived or created after such assignment or transfer and independently of the activities undertaken pursuant to this Agreement will not be deemed OPI Improvement Technology or OPI Improvement Patents licensed to Otodyne hereunder.

8.3.6 If this Agreement is terminated by OPI pursuant to Section 8.2.2 *after* the first Regulatory Approval for any Licensed Product, OPI will:

(a) have the obligations described in clauses (a) – (d) of Section 8.3.5 above; and

(b) if requested by Licensors, for not less than 4 months after termination, negotiate in good faith with Licensors regarding an agreement under which OPI would license or sell to either or both of the Licensors some or all of OPI's and its Affiliates' Regulatory Documentation for Licensed Products, Regulatory Approval(s) for Licensed Products, OPI Improvement Technology or OPI Improvement Patents.

8.3.7 Termination of this Agreement for any reason (a) will be without prejudice to the Licensors' right to receive all payments accrued before the effective date of such termination, including all payments on Net Sales for Licensed Products occurring during a Royalty Term, and (b) will not release a Party hereto from any indebtedness, right to Losses or other obligation incurred hereunder by such Party before the date of termination.

8.3.8 The provisions of Articles 1, 6 and 10 and Sections 4.1, 4.6, 4.7, 5.6, 5.7, 5.8, 8.3, and 9.1-9.5, as well as any other provisions or defined terms referred to this Agreement or necessary to give them effect will survive termination or expiration of this Agreement and remain in force until discharged in full.

ARTICLE 9

INDEMNIFICATION

9.1 Indemnification.

9.1.1 Each of the Licensors will jointly and severally indemnify, defend and hold OPI and OPI's Representatives, harmless from any and all Losses incurred by any of them in connection with a claim by a Third Party as a result of:

(a) the breach of any covenant of, or warranty or representation made by a Licensor under this Agreement; or

(b) the negligence, recklessness, or wilful misconduct of a Licensor or any of its Representatives; or

(c) the Development, manufacture, use, offer for sale, sale, importation or promotion of any Licensed Products by a Licensor or any of its Representatives, licensees or sublicensees following termination of the exclusive right to do so granted to OPI under this Agreement.

Notwithstanding the foregoing, Licensors will not be obligated to so indemnify, defend and hold OPI or its Representatives harmless to the extent that such Losses are caused by (x) the breach of any covenant of, or warranty or representation made by OPI under this Agreement or (y) the gross negligence, recklessness or wilful misconduct of OPI or any of its Representatives.

9.1.2 OPI will indemnify, defend and hold Licensors and their Representatives harmless from any and all Losses incurred by any of them in connection with a claim by a Third Party as a result of:

(a) the breach of any covenant of, or warranty or representation made by OPI under this Agreement; or

(b) the negligence, recklessness, or wilful misconduct of OPI or any of its Representatives; or

(c) the Development, manufacture, use, offer for sale, sale, importation or promotion of Licensed Products by OPI or its Representatives under this Agreement.

Notwithstanding the foregoing, OPI will not be obligated to so indemnify, defend and hold Licensors or its Representatives harmless to the extent that such Losses are caused by (x) the breach of any covenant of, or warranty or representation made by a Licensor under this Agreement or (y) the gross negligence, recklessness or wilful misconduct of a Licensor or any of its Representatives.

9.2 Indemnity Procedures.

9.2.1 In the event that any Third Party asserts a claim with respect to any matter for which a Party or its Representative(s) (the "***Indemnified Party***") is entitled to indemnification under Section 9.1 (a "***Third Party Claim***"), then the Indemnified Party will promptly notify the Party obligated to indemnify the Indemnified Party (the "***Indemnifying Party***") thereof; *provided that* no delay on the part of the Indemnified Party in notifying the Indemnifying Party will relieve the Indemnifying Party from any obligation hereunder unless (and then only to the extent that) the Indemnifying Party is prejudiced thereby.

9.2.2 The Indemnifying Party will have the right, exercisable by notice to the Indemnified Party within 20 days after receipt of notice from the Indemnified Party of the commencement of or assertion of any Third Party Claim, to assume direction and control of the defense, litigation, settlement, appeal or other disposition of the Third Party Claim (including the right to settle the claim solely for monetary consideration) with counsel selected by the

Indemnifying Party and reasonably acceptable to the Indemnified Party, and the Indemnifying Party may do so without prejudice to its right to dispute whether such claim involves a Third Party Claim subject to valid indemnification obligation hereunder. During such time as the Indemnifying Party is controlling the defense of such Third Party Claim, the Indemnified Party will cooperate, and will cause its Representatives to cooperate upon request of the Indemnifying Party and at Indemnifying Party's cost, in the defense or prosecution of the Third Party Claim, including by furnishing such records, information and testimony and attending such conferences, discovery proceedings, hearings, trials or appeals as may reasonably be requested by the Indemnifying Party. In the event that the Indemnifying Party does not notify the Indemnified Party of the Indemnifying Party's intent to defend any Third Party Claim within 20 days after notice thereof (including by affirmatively denying responsibility to defend the Third Party Claim), the Indemnified Party may (without further notice to the Indemnifying Party) undertake the defense thereof with counsel of the Indemnified Party's choice and at the Indemnifying Party's expense (including reasonable, out-of-pocket attorneys' fees and costs and expenses of enforcement or defense). The Indemnifying Party or the Indemnified Party, as the case may be, will have the right to join in (including the right to conduct discovery, interview and examine witnesses and participate in all settlement conferences), but not control, at its own expense, the defense of any Third Party Claim that the other Party is defending as provided in this Agreement.

9.2.3 The Indemnifying Party will not, without the prior written consent of the Indemnified Party which will not be unreasonably withheld, enter into any compromise or settlement that commits the Indemnified Party to take, or to forbear to take, any action. The Indemnified Party will have the sole and exclusive right to settle any Third Party Claim, on such terms and conditions as it deems reasonably appropriate, to the extent such Third Party Claim involves equitable or other non-monetary relief, but will not have the right to settle such Third Party Claim to the extent such Third Party Claim involves monetary damages without the prior written consent of the Indemnifying Party. Each of the Indemnifying Party and the Indemnified Party will not make any admission of liability in respect of any Third Party Claim without the prior written consent of the other Party, and the Indemnified Party will use reasonable efforts to mitigate losses arising from the Third Party Claim.

9.3 Set Offs.

If an amount has been claimed by OPI or its Representatives in good faith pursuant to this Agreement (whether or not finally determined to be owed by the Licensors), and if any amount has not yet been fully paid pursuant to Article 5, OPI may set-off such amounts claimed from such payment, notwithstanding any objection by the Licensors and in accordance with Section 5.4.3. The exercise of such right of set-off by Licensors in good faith, whether or not the claim is ultimately determined to be justified, will not constitute a breach of this Agreement. If ultimately the amount alleged by Licensors is determined not to be so owed, then OPI will pay the amount set-off hereunder promptly after such determination.

9.4 Limitation of Liability.

IN NO EVENT WILL ANY PARTY BE LIABLE UNDER THIS AGREEMENT FOR SPECIAL, INDIRECT, OR INCIDENTAL OR CONSEQUENTIAL DAMAGES, WHETHER BASED IN CONTRACT, WARRANTY, TORT, NEGLIGENCE, STRICT LIABILITY OR OTHERWISE, INCLUDING LOSS OF PROFITS OR REVENUE, SUFFERED BY A PARTY OR ANY OF ITS RESPECTIVE REPRESENTATIVES, EXCEPT (i) TO THE EXTENT OF ANY SUCH DAMAGES MUST BE PAID TO A THIRD PARTY IN CONNECTION WITH A THIRD PARTY CLAIM, OR (ii) IN THE EVENT OF AN INTENTIONAL AND WILFUL BREACH IN BAD FAITH OF ANY REPRESENTATION, WARRANTY, COVENANT OR AGREEMENT CONTAINED IN THIS AGREEMENT BY ANOTHER PARTY.

9.5 Insurance.

OPI shall have and maintain such type and amounts of insurance covering its exploitation of the Licensed Products as is (a) normal and customary in the pharmaceutical industry generally for parties similarly situated and (b) otherwise required by Applicable Law.

ARTICLE 10

MISCELLANEOUS

10.1 Governing Law; Arbitration.

10.1.1 Except as provided in Section 4.1.1, this Agreement will be governed by and construed in accordance with the laws of the State of New York, without reference to any rules of conflict of laws.

10.1.2 If any controversy or claim arising out of or relating to this Agreement cannot first be resolved by the Parties within 30 days after written notice thereof, then except as provided in Section 5.7, absent a written agreement signed by the Parties to the contrary, arbitration pursuant to the terms hereof will be the sole and exclusive method of resolution of such dispute. Any Party may submit the controversy or claim to confidential binding arbitration in accordance with the JAMS Comprehensive Arbitration Rules and Procedures then in effect. The arbitration will be conducted by one arbitrator, mutually selected by the Parties; *provided*, *however*, that if the Parties fail to mutually select an arbitrator within 20 days after the claim is submitted to arbitration, then the arbitrator will be selected by JAMS in accordance with its Comprehensive Arbitration Rules and Procedures then in effect. The Parties agree to use commercially reasonable efforts to cause the arbitration hearing to be conducted within 75 days after the appointment of the arbitrator, and to use commercially reasonable efforts to cause the decision of the arbitrator to be furnished within 15 days after the conclusion of the arbitration hearing. The final decision of the arbitrator will be provided in writing to the Parties and include (a) the dollar amount of any award or specific performance, if any, and (b) a determination as to whether a Party will be required to bear and pay all or a portion of the other Party's attorneys' fees and other expenses relating to the arbitration. Judgment upon any award, judgment, decree or order rendered by the arbitrator may be entered in any court having competent jurisdiction. The place of the arbitration hearing will be in the City of Irvine, California, if initiated by a Licensor, and will be in the City of New York, New York, if initiated by OPI. The language of the arbitration will be English.

10.2 Force Majeure.

No Party will be held liable to another Party nor be deemed to have defaulted under or breached the Agreement for failure or delay in performing any obligation under the Agreement to the extent such failure or delay is caused by or results from causes beyond the reasonable control of the affected Party, including embargoes, war, acts of war (whether war be declared or not), insurrections, riots, civil commotions, strikes, lockouts or other labor disturbances, fire, floods, or other acts of God, or acts, omissions or delays in acting by any governmental authority (including by a Regulatory Authority, for any reason other than lack of due diligence, negligence or misconduct of the affected) or the other Party. The affected Party will notify the other Parties of such force majeure circumstances as soon as reasonably practical, and will promptly undertake all reasonable efforts necessary to cure such force majeure circumstances.

10.3 Specific Performance.

The Parties hereto agree that irreparable damage would occur in the event any provision of this Agreement was not performed in accordance with the terms hereof and that the Parties will be entitled to seek specific performance of the terms hereof, in addition to any other remedy at law or equity without the necessity of demonstrating the inadequacy of monetary damages.

10.4 Waiver of Jury Trial.

EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

10.5 Severability.

If any one or more of the provisions contained in this Agreement is 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 affects the substantive rights of the Parties. The Parties will in such an instance use their best efforts to replace the invalid, illegal or unenforceable provision(s) with valid, legal and enforceable provision(s) which, insofar as practical, implement the purposes of this Agreement.

10.6 Waivers.

Any term or condition of this Agreement may be waived at any time by the Party or Parties that is entitled to the benefit thereof, but no such waiver will be effective unless set forth in a written instrument duly executed by or on behalf of the Party or Parties waiving such term or condition. Neither the waiver by any Party of any term or condition of this Agreement nor the failure on the part of any Party, in one or more instances, to enforce any of the provisions of this Agreement or to exercise any right or privilege, will be deemed or construed to be a waiver of such term or condition for any similar instance in the future or of any subsequent breach hereof. All rights, remedies, undertakings, obligations and agreements contained in this Agreement will be cumulative and none of them will be a limitation of any other remedy, right, undertaking, obligation or agreement.

10.7 Entire Agreement; Amendments.

This Agreement sets forth the entire agreement and understanding between the Parties as to the subject matter hereof and supersedes all agreements or understandings, verbal or written, made between a Licensor, on the one hand, and OPI, on the other hand, before the date hereof with respect to the subject matter hereof, including the Confidentiality Agreement and that letter agreement sent by OticPharma, Ltd. to Otodyne dated July 30, 2015. All information disclosed between Representatives of Otodyne and OPI before the Effective Date pursuant to the Confidentiality Agreement is deemed to have been disclosed under the terms of this Agreement. None of the terms of this Agreement may be amended, supplemented or modified except in writing signed by the Parties.

10.8 Construction.

Except where expressly stated otherwise in this Agreement, the following rules of interpretation apply to this Agreement: (i) "include", "includes" and "including" are not limiting and mean include, includes and including, without limitation; (ii) definitions contained in this Agreement are applicable to the singular as well as the plural forms of such terms; (iii) references to an agreement, statute or instrument mean such agreement, statute or instrument as from time to time amended, modified or supplemented; (iv) references to a Person are also to its permitted successors and assigns; (v) references to an "Article", "Section", or "Exhibit" refer to an Article or Section of, or any Exhibit to, this Agreement unless otherwise indicated; (vi) the word "will" will be construed to have the same meaning and effect as the word "shall" and vice versa; (vii) the word "any" will mean "any and all" unless otherwise indicated by context; (viii) the word "or" means in the alternative or together, i.e., "and/or"; and (ix) the symbol $ means the lawful currency of the USA, i.e., US Dollars, unless otherwise specified.

10.9 Assignment.

Any Party may assign this Agreement, in whole or in part, without the consent of any of the other Parties, except that OPI may not, without the written consent of a Licensor, assign any of OPI's rights in this Agreement to any company that (a) has a market capitalization of less than $500 Million and (b) has not been in existence (either itself or through its predecessor entity(ies) for at least 10 years (before the effective date of the assignment). This Agreement will be binding upon, inure to the benefit of, and be enforceable by, the Parties and their respective successors and permitted assigns.

10.10 Independent Contractor.

The relationship between either Licensor, on the one hand, and OPI, on the other hand, is that of independent contractors. Such Parties are not joint venturers, partners, principal and agent, employer and employee, and have no other relationship other than independent contracting parties. Such Parties' obligations and rights in connection with the subject matter of this Agreement are solely and specifically as set forth in this Agreement, and such Parties acknowledge and agree that neither such Party owes the other any fiduciary or similar duties or obligations by virtue of the relationship created by Agreement.

10.11 Notices.

All notices which are required or permitted hereunder will be in writing and sufficient if delivered personally, sent by nationally-recognized overnight courier or sent by registered or certified mail, postage prepaid, return receipt requested, or sent in .PDF file format electronically by email, addressed as follows:

If to SDRI: Alan J. Mautone, President
55 Alexandria Road
Morristown, New Jersey 07960
Email: alan@mautone.us

and copy to: Richard L. Strauss, Esq.

2492 Oceanside Road
Oceanside, New York 11572
Email: Rstra73004@gmail.com

If to Otodyne: Alan J. Mautone, President
55 Alexandria Road
Morristown, New Jersey 07960
Email: alan@mautone.us

and copy to: Richard L. Strauss, Esq.
2492 Oceanside Road
Oceanside, New York 11572
Email: Rstra73004@gmail.com

If to OPI: Chief Executive Officer
OticPharma, Inc.
19900 MacArthur Blvd., Suite 550
Irvine, CA 92612
Email: legal@oticpharma.com

and copy to: Thomas A. Briggs and Jonn R. Beeson
Jones Day
12265 El Camino Real, Suite 200
San Diego, California 92130
Email: tabriggs@jonesday.com
Email: jrbeeson@jonesday.com

or to such other address as the Party to whom notice is to be given may have furnished to the other Parties in writing in accordance herewith. Any such notice will be deemed to have been given: (a) when delivered if personally delivered on a business day; (b) on the business day after dispatch if sent by nationally recognized overnight courier; or (c) when delivered if delivered by email on a business day or the first business day after delivery if not delivered on a business day.

10.12 Third Party Beneficiaries

None of the provisions of this Agreement will be for the benefit of or enforceable by any Third Party, including any creditor of a Party. No Third Party will obtain any right under any provision of this Agreement or will by reason of any such provision make any claim in respect of any debt, liability or obligation (or otherwise) against a Party.

10.12 Performance by Representatives

To the extent that this Agreement imposes obligations on Representatives of a Party, such Party agrees to cause its Representatives to perform such obligations.

10.13 Counterparts.

This 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. This Agreement may be executed by delivery of duly authorized and executed signature pages by facsimile or electronically in .PDF format.

<Signature page follows on next page.>

Pursuant to 17 CFR 20.24b-2, confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request with the Commission.

IN WITNESS WHEREOF the Parties hereto have caused this Agreement to be executed by their duly authorized officers to be effective as of the Effective Date.

Otodyne, Inc.

By: /s/ Alan J. Mautone
Name: Alan J. Mautone, Ph.D
Title: Founder & Chief Executive Officer
Date: November 1, 2015

By: /s/ Sujana S. Chandrasekhar
Name: Sujana S. Chandrasekhar, MD
Title: Founder & Chief Medical Officer
Date: November 1, 2015

Scientific Development and Research, Inc.

By: /s/ Alan J. Mautone
Name: Alan J. Mautone, Ph.D
Title: Chief Executive Officer
Date: November 1, 2015

OticPharma, Inc.

By: /s/ Gregory J. Flesher
Name: Gregory J. Flesher
Title: Chief Executive Officer
Date: November 1, 2015

Schedule 1

Definitions

"***Affiliate***" means, with respect to a first Person, any other Person that directly or indirectly Controls, is Controlled by, or is under common Control with, such first Person.

"***Agreement***" is defined in the preamble to this Agreement and further includes this Agreement as it may be amended or supplemented from time to time.

"***Blocking Third Party Patent Rights***" means, on a country-by-country basis, any Patent owned or controlled by a Third Party that, in the absence of a license thereunder, could reasonably be determined to be infringed by the exploitation of any Licensed Technology, Licensed Patents, or Licensed Products in such country.

"***CE Mark***" means the marking of conformity affixed on a medical device in the European Union in order to attest compliance of such medical device with applicable European Union Law for the purpose of selling the medical device in the European Union.

"***Change of Control***" means, with respect to a first Person, a single transaction or series of related transactions pursuant to which another Person or group of Persons who did not Control such first Person before the transaction(s) do Control such first Person after the transaction(s). A Change of Control will be presumed to occur to a first Person upon the occurrence of any of the following: (i) any other Person becomes the beneficial owner, directly or indirectly, of more than fifty percent (50%) of the voting securities of the first Person; (ii) the sale or other disposition of all or substantially all of the assets of the first Person; (iii) a consolidation or merger of the first Person with any other Person, other than a merger or consolidation which would result in the voting securities of the first Person outstanding immediately prior thereto continuing to represent at least 50% of the total voting power represented by the voting securities of the Person or any of its parent entities outstanding immediately after such merger or consolidation.

"***Commercially Reasonable Efforts***" means the carrying out of the subject activities using efforts and resources comparable to the efforts and resources that OPI or other pharmaceutical companies of then similar size and capitalization to OPI would typically devote to pharmaceutical products of similar market potential at a similar stage in Development or product life, taking into account, using OPI's reasonable judgment, all scientific, commercial, and other conditions and factors that OPI or other such pharmaceutical companies would reasonably take into account, including issues of safety and efficacy, expected and actual cost and time to Develop, medical and clinical considerations, expected and actual profitability, expected and actual competitiveness of alternative Third Party products (including generic or biosimilar products) in the marketplace, the nature and extent of expected and actual market exclusivity (including patent coverage and regulatory exclusivity), the expected likelihood of Regulatory Approval, the expected and actual reimbursability and pricing, and the expected and actual amounts of marketing and promotional expenditures required; *provided, however, that* such efforts shall include the right of OPI, using its reasonable judgment, to suspend, discontinue or decrease efforts in circumstances where such suspension, discontinuation or decrease is consistent with the exercise of Commercially Reasonable Efforts.

"***Confidential Information***" is defined in Section 6.1.1.

"***Confidentiality Agreement***" means that Confidentiality and Non-disclosure Agreement between Otodyne and OticPharma, Ltd, an Affiliate of OPI, dated February 10, 2014.

"***Consultants***" means Drs. Mautone and Chandrasekhar, the individuals engaged to provide the services to OPI under the Consulting Agreements.

"***Consulting Agreements***" is defined in Recital D.

"***Contract***" means any contract, agreement, lease, sublease, license, sales order, purchase order, loan, credit agreement, bond, debenture, note, mortgage, indenture, guarantee, undertaking, instrument, arrangement, understanding or other commitment, whether written or oral, that is or was binding on any Person or any part of its property under applicable Law, whether or not terminated as of the Effective Date, including all amendments, supplements and correspondence related to any of the foregoing.

"***Control***" including, its correlative meanings, "Controls", "Controlled by" and "under common Control with" means the possession, directly or indirectly, of the power to direct or cause direction of the management or policies of another Person (whether through ownership of securities or other ownership interests, by contract or otherwise). A first Person will be presumed to Control another Person if such first Person actually owns or has beneficial ownership of at least 50% of the voting securities or other comparable equity interests of such other Person (whether directly, indirectly or pursuant to any option, warrant or other similar arrangement).

"***Development***" means, with respect to a product, any and all activities directed to pre-clinical, non-clinical and clinical testing and development, design and development planning, test method development and stability testing, toxicology, formulation, manufacturing process development, and manufacturing scale-up, qualification and validation, quality assurance/quality control, clinical trials, statistical analysis and report writing, interacting with key opinion leaders and scientific advisory boards, the preparation, submission and active management and maintenance of Regulatory Documentation for such product and interacting with Governmental Authorities regarding any of the foregoing, in each case whether before or after obtaining any Regulatory Approvals from a Governmental Authority. When used as a verb, "***Develop***" will mean to engage in Development.

"***Discloser***" is defined in Section 6.1.1.

"***Effective Date***" is defined in the preamble to this Agreement.

"***EMA***" means the European Medicines Agency or any successor agency thereto.

"***FDA***" means the United States Food and Drug Administration or any successor agency thereto.

"***FDCA***" means the U.S. Federal Food, Drug, and Cosmetic Act, as amended, and the regulations promulgated thereunder.

"***Generic Competition***" means sales of a product in a country that is the same or substantially the same as a Licensed Product sold in that country and that (a) is sold by a Third Party that is not an Affiliate or Sublicensee of OPI under a Regulatory Approval granted by a Regulatory Authority to a Third Party, (b) was approved in reliance, in whole or in part, on the prior approval (or on safety or efficacy data submitted in support of the prior approval) of such Licensed Product as determined by the applicable Regulatory Authority, and (c) wherein the quotient of the total volume (in units) of such product sold in such country divided by the total volume (in units) of Licensed Product sold in such country , based on independent market data, such as that published by IMS Health Inc or similar services, equals at least 30%.

"***Governmental Authority***" means any national, federal, regional, state, provincial, local, foreign, multinational, supra-national or other governmental authority or instrumentality, legislative body, court, administrative agency, commission or instrumentality, including any multinational authority having governmental or quasi-governmental powers, or any other industry self-regulatory authority and shall include any Regulatory Authority.

"***Governmental Authorization***" means any (a) permit, license, certificate, franchise, concession, approval, consent, ratification, permission, clearance, confirmation, endorsement, waiver, certification, designation, rating, registration, qualification or authorization that is, has been or may in the future be issued, granted, given or otherwise made available by or under the authority of any Governmental Authority or pursuant to any Law, including an IND; or (b) right under any Contract with any Governmental Authority.

"***Improvement Technology***" means any Technology that is (a) an improvement, modification or derivation of any of the Licensed Technology and (b) conceived, reduced to practice, discovered, made or created by any Party or any of its Representatives, whether solely or jointly.

"***IND***" means an Investigational New Drug Application submitted under the FDCA or an analogous application or filing with any analogous Regulatory Authority outside of the USA under any analogous foreign Law for the purposes of obtaining permission to conduct human clinical trials in such jurisdiction.

"***Indemnified Party***" is defined in Section 9.2.

"***Indemnifying Party***" is defined in Section 9.2.

"***Intellectual Property***" means, in any and all jurisdictions throughout the world, all (a) Patents, (b) any trademark, service mark, trade dress, slogan, logo, symbol, trade name, brand name or other identifier of source or goodwill recognized by any Governmental Authority, including registrations and applications for registration thereof and including the goodwill symbolized thereby or associated therewith, (c) Internet domain names and associated uniform resource locators and social media addresses and accounts, (d) copyrights, whether in published and unpublished works of authorship, registrations, applications, renewals and extensions therefor, mask works, and any and all similar rights recognized in a work of authorship by a Governmental Authority, (e) any trade secret rights in any inventions, discoveries, improvements, trade secrets and all other confidential or proprietary Information (including know-how, data, formulas, processes and procedures, research records, records of inventions,

test information, and market surveys), and all rights to limit the use or disclosure thereof, (f) registered and unregistered design rights, (g) rights of privacy and publicity and (h) any and all other Intellectual Property rights recognized by any Governmental Authority under the Laws of any country throughout the world.

"***IRB***" an appropriately constituted group that has been formally designated to review and monitor biomedical research involving human subjects in accordance with FDA regulations.

"***Knowledge of Licensors***" means the (a) actual knowledge of the Consultants or any officer or director of a Licensor and such knowledge as would be imputed to such Persons upon due inquiry (including to their direct reports) and (b) actual knowledge of the patent attorneys and agents involved in the filing, prosecution or maintenance of any of the Licensed Patents.

"***Laws***" means all laws, statutes, rules, regulations, orders, judgments or ordinances of any Governmental Authority, as such may be revised from time to time.

"***Licensed Patents***" means all Patents that are owned by or licensed to Otodyne, SDRI or any of their Affiliates as of the Effective Date or at any time during the Term, including the patents and applications listed on **Schedule 3** and all Licensor Improvement Patents.

"***Licensed Product***" means any product or composition that either (a) the manufacture, use, offer for sale, sale or importation of which is covered by a Valid Claim of any Licensed Patent, (b) is manufactured, used or administered using a method or process covered by a Valid Claim of any Licensed Patent, or (c) is Developed, manufactured, used or administered using any of the Licensed Technology. Licensed Product includes the product known by the Licensors as of the Effective Date as "OTO-101" for the treatment of acute otitis media.

"***Licensed Technology***" means all Technology that is owned by or licensed to Otodyne, SDRI or any of their Affiliates as of the Effective Date or at any time during the Term, including the Technology and Regulatory Documentation listed on **Schedule 2** and all Licensor Improvement Technology.

"***Licensor Improvement Technology***" is defined in Section 4.1.5.

"***Licensor Improvement Patents***" is defined in Section 4.1.5.

"***Licensors***" is defined in the preamble to this Agreement.

"***Losses***" means any and all costs, expenses, claims, losses, liabilities, damages, fines, royalties, penalties, deficiencies, interest, settlement amounts, awards, and judgments, including any and all reasonable, out-of-pocket costs and expenses properly incurred as a result of a claim (including reasonable, out-of-pocket attorneys' fees and all other expenses reasonably incurred in investigating, preparing or defending any litigation or proceeding, commenced or threatened), in each case, net of any tax benefit or insurance recovery received in connection with any of the foregoing.

"***Major European Countries***" means France, Germany, Italy, Spain, and the United Kingdom.

"***MHLW***" means the Ministry of Health, Labour and Welfare of Japan and any successor thereto.

"***NDA***" means a New Drug Application submitted under the FDCA or an analogous application or filing with any analogous Regulatory Authority outside of the USA (including any filing with a supra-national agency, such as a Marketing Authorization Application with the EMA for the European Union) under any analogous foreign Law or a submission to a Notified Body in connection with a CE Mark for the purpose of obtaining approval and/or markings required to market and sell a pharmaceutical product in such jurisdiction.

"***Net Sales***" means, (a) with respect to sales of Licensed Products by OPI or its Affiliates, net sales as calculated by the selling entity in preparing its financial statements so long as such statements are prepared in accordance with US GAAP, IFRS or other accounting standard applicable to such selling entity and (b) with respect to sales of Licensed Products by Sublicensees, as reported to OPI or its Affiliates pursuant to the applicable agreement between OPI or its Affiliate and such Sublicensee. Net Sales will not include transfers or dispositions of Licensed Product for charitable, promotional, pre-clinical, clinical, regulatory, or governmental purposes. Net Sales will not include sales or other transfers between or among OPI, its Affiliates or its Sublicensees, but Net Sales will include any subsequent resale or other transfer to any such Person that is not OPI, its Affiliate or its Sublicensee. For purposes of calculating Net Sales for sales that occur using a currency other than the US Dollar, all such Net Sales will be converted into US Dollars using OANDA (http://www.oanda.com/) or another commonly accepted foreign exchange conversion tool.

"***Notified Body***" means an organization accredited by a member state of the European Union to carry out certain tasks in connection with conformity assessment procedures relating to medical devices that are required in the European Union in order to affix the CE Mark under the European Union applicable regulatory framework.

"***OPI***" is defined in the preamble to this Agreement.

"***OPI Improvement Technology***" is defined in Section 4.1.4.

"***OPI Improvement Patents***" is defined in Section 4.1.4.

"***OPI Parent Shares***" is defined in Section 5.1.

"***OPI Trademark***" is defined in Section 4.6.1.

"***Otodyne***" has the meaning set forth in the preamble to this Agreement.

"***Otodyne Trademark***" means any trademark, service mark, logo, slogan, trade name or other indicia of the source or origin of goods or services used by Otodyne or any of its Affiliates in connection with Licensed Products or the Licensed Technology, including the mark OTODYNE and OTO-101, and any registration or application for registration for any of the foregoing anywhere in the world.

"***Party***" and "***Parties***" are defined in the preamble to this Agreement.

"***Patent***" means all classes and types of patents and patent applications (including provisionals, non-provisionals, originals, priority, utility, design, divisionals, continuations, continuations-in-part, extensions, re-examinations, reissues and all other pre-grant and post-grant forms), utility models and applications for utility models, inventor's certificates and applications for inventor's certificates, and other indicia of exclusive rights to an invention or discovery issued by or applied for with any Governmental Authority.

"***Person***" means any natural person, any form of for-profit or non-profit business entity recognized by any Governmental Authority, including any corporation, partnership, limited liability company, association, trust or other legal entity, or any Governmental Authority.

"***Phase 2 Clinical Trial***" means a human clinical trial of a Licensed Product, the principal purpose of which is a determination of safety and efficacy in the target patient population and which is prospectively designed to generate sufficient data that may permit commencement of pivotal clinical trials using the Licensed Product, including the trials referred to in 21 C.F.R. §312.21(b), as amended, under the FDCA or a corresponding trial required by the EMA.

"***Phase 3 Clinical Trial***" means a human clinical trial of a Licensed Product on a sufficient number of subjects in an indicated patient population that is designed to establish that the Licensed Product is safe and efficacious for its intended use and to determine the benefit/risk relationship, warnings, precautions, and adverse reactions that are associated with such product in the dosage range to be prescribed and that is intended to support Regulatory Approval of such Licensed Product, including all tests and studies that are required by the FDA from time to time, pursuant to Applicable Law or otherwise, including the trials referred to in 21 C.F.R. §312.21(c), as amended, under the FDCA or a corresponding trial required by the EMA.

"***Recipient***" is defined in Section 6.1.1.

"***Regulatory Approval***" means, with respect to any jurisdiction, any and all approvals, licenses, registrations or authorizations of a Regulatory Authority that are legally necessary for the manufacture, distribution, importation, use, marketing, offer for sale or sale of a pharmaceutical in such jurisdiction, including, as applicable, any pricing or reimbursement approval, pre- and post-approval marketing authorizations (including any prerequisite manufacturing approval or authorization related thereto), and approval of product labelling.

"***Regulatory Authority***" means, with respect to any country or jurisdiction, the relevant Notified Body or Governmental Authority having responsibility for granting Regulatory Approval in such country or jurisdiction, including the FDA in the U.S., the EMA in the European Union and the MHLW in Japan, or any of their respective successors.

"***Regulatory Documentation***" means all (a) applications (including all INDs registrations, licenses, authorizations, and approvals (including Regulatory Approvals), (b) correspondence and reports submitted to or received from Regulatory Authorities (including minutes and official contact reports relating to any communications with any Regulatory Authority) and all supporting documents with respect thereto, including all regulatory drug lists, advertising and promotion documents, adverse event files, and complaint files, and (c) clinical data and other data contained or relied upon in any of the foregoing, in each case ((a), (b), and (c)) relating to a Licensed Product.

"***Regulatory Exclusivity***" means, with respect to any country or other jurisdiction, an additional market protection, other than Patent protection, granted by a Regulatory Authority in such country or other jurisdiction which confers an exclusive commercialization period during which OPI, its Affiliate or its Sublicensee has the exclusive right to market and sell a Licensed Product in such country or other jurisdiction through a regulatory exclusivity right (e.g., new chemical entity exclusivity, new use or indication exclusivity, new formulation exclusivity, orphan drug exclusivity, pediatric exclusivity, or any applicable data exclusivity).

"***Representatives***" means with respect to a Party, Affiliates and Sublicensees of such Party, and each of such Party's and its Affiliates' and Sublicensees' respective officers, directors, managers, employees, consultants, contractors, attorneys, bankers, accountants, agents and other representatives.

"***Royalty Term***" is defined in Section 5.4.1.

"***SDRI***" is defined in the preamble to this Agreement.

"***SDRI-Otodyne Agreement***" is as defined in Recital B.

"***Sublicensee***" means any Person to which OPI grants a sublicense, directly or indirectly through its Affiliate, under any of the rights within the Licensed Technology or Licensed Patents.

"***Tax***" or "***Taxes***" is defined in Section 5.8.1.

"***Technology***" means all means all knowledge of a technical, scientific, business and other nature, including information, know-how, technology, means, methods, processes, practices, formulae, instructions, skills, techniques, procedures, experiences, ideas, technical assistance, designs, drawings, assembly procedures, computer programs, apparatuses, specifications, data, results and other material, and other biological, chemical, pharmacological, toxicological, pharmaceutical, physical and analytical, pre-clinical, clinical, safety, manufacturing and quality control data and information, including study designs and protocols, reagents (e.g., plasmids, proteins, cell lines, assays and compounds) and biological methodology and Regulatory Documentation; in each case (whether or not confidential, proprietary, patented or patentable, of commercial advantage or not) in written, electronic or any other form now known or hereafter developed.

"***Term***" is defined in Section 8.1.

"***Third Party***" means any person or entity other than a Party.

"***Third Party Claim***" is defined in Section 9.2.

"***Transaction Documents***" is defined in Recital D and further includes those agreements as they may be amended or supplemented from time to time.

Schedule 2

Certain Licensed Technology (as of the Effective Date)

All of the following to the extent in the possession or control of a Licensor as of the Effective Date:

1. IND # 106778 filed by a Licensor with the FDA for treatment of treatment of acute otitis media using the product identified as OTO-101.
2. Correspondence to or from the FDA involving the foregoing IND or its application.
3. The complete dossier for the foregoing IND and all books, records and materials referenced in it, including any literature, data, forms, meeting minutes, briefings, protocols, reports or investigator brochures.
4. Pre-clinical data, pharmacology data, medicinal chemistry data, CMC data, safety data or other data related to any Licensed Product, including all data that was or was not included in, or did or did not serve as the basis for, the foregoing IND.
5. Any submissions to, or correspondence with an IRB regarding the IND.
6. Statistical analyses conducted by or for Licensor involving any of the foregoing data.
7. Market research, analysis or reports prepared or acquired by or for a Licensor for any Licensed Product.
8. Sales or need projections prepared or acquired by or for a Licensor for any Licensed Product.
9. Inventory of each component (i.e., surfactants, lipids, sprayers, nozzles, packaging, etc.) and unit of finished goods of any Licensed Product or experimental model, prototype or sample of Licensed Product.
10. Drawings of any Licensed Product or its components or their respective packaging or labelling.
11. Specifications or standard operating procedures prepared for or acquired by a Licensor or any of its Representatives of any components or finished goods of Licensed Products or their packaging or labelling.
12. Identification of all sources of supply or contract manufacturers used or considered by Licensors or their Representatives to obtain any Licensed Product or its components or its packaging or labelling.
13. Identification of any contract research organizations used or considered by Licensors or their Representatives regarding the IND or any pre-clinical or clinical research and copies of any Contracts with or proposals from such entities.
14. Quotations and purchase orders for the Development, supply or manufacture of any Licensed Product or its components or its packaging or labelling.
15. Test specifications and test reports related to Licensed Products components or finished goods of Licensed Products or their packaging or labelling.
16. Identification of all Representatives of the Licensors involved in the Development of Licensed Products or the preparation and filing of the IND identified above and the role and last known contact information for each such Person.

17. A copy of each Contract (including all amendments) to which any Licensor or any of its Representatives is a party relating to Licensed Products, including those relating to Development, manufacturing, seeking or maintaining Regulatory Approval for, or commercialization of any Licensed Product, including:

a. Consulting Services Agreement between Pharmakey, LLC and Otodyne dated January 11, 2011;

b. Consulting Agreement between SDRI and Marianne Mann, M.D., dated June 7, 2010;

c. SDRI-Otodyne Agreement

d. Quotation of Project Work between Cirrus Pharmaceuticals, Inc. Nos. OTO-PW-001.00 dated July 25, 2011 (last signed July 28, 2011), OTO-PW-002.00 dated July 15, 2011 (last signed August 31, 2011, as amended by a Proposal Amendment Request dated November 16, 2011 (last signed on such day) and Proposal Amendment Request #2 dated March 22, 2012 (last signed April 12, 2012).

18. Devices used or contemplated to be used to assist in the administration of the Licensed Technology or Licensed Products, including models, mock-ups, prototypes, drawings and other materials describing or depicting such devices, whether or not any such device was ever actually manufactured or used.

19. Invention disclosures, prior art search results and related memoranda and patentability opinions or evaluations, validity and enforceability searches and opinions or evaluations relating to the Licensed Patents and correspondence with and interview notes or other notes regarding communications with any of the inventor(s) of the Licensed Patents.

20. Freedom to operate search results and related memoranda or opinions relating to the practice of the Licensed Technology, Licensed Patents or Licensed Products.

21. A copy of the file history of each of the Licensed Patents as such file histories are maintained under the custody or control of each Representative of any Licensor.

22. The identification (including complete contact information) of each Representative of a Licensor who has the power of attorney to act on behalf of a Licensor or its Affiliate with respect to any Licensed Patent.

Pursuant to 17 CFR 20.24b-2, confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request with the Commission.

Schedule 3

JURISDICTION	APP. NO./ FILING DATE/ INVENTOR	STATUS	TITLE	PATENT NO. ISSUE DATE	NEXT ACTION/ PAYMENT DUE	OWNER
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
***	***	***	***	***	***	***
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***	***	***	***	***	***	***

Pursuant to 17 CFR 20.24b-2, confidential information has been omitted in places marked "***" and has been filed separately with the Securities and Exchange Commission pursuant to a Confidential Treatment Request with the Commission.

Schedule 4

Disclosure Against Section 7.1.12 re Inventions of Representatives of Licensors

***

Exhibit 10.5

July 1, 2017

Jon Kuwahara

Re: Offer of Employment

Dear Jon:

Novus Therapeutics, Inc. (the "Company") is pleased to present the following employment offer to you. This letter will summarize and confirm the details of our offer for you to join the Company as Senior Vice President of Finance. Your anticipated start date will be July 10, 2017 (the "Commencement Date"). This offer and your employment relationship will be subject to the terms and conditions of this letter.

- Compensation: Your base compensation will initially be set at $275,000 annually ("Base Salary"), less payroll deductions and required taxes and withholdings. Thereafter, the Board of Directors, or a designated committee thereof, will consider you for annual Base Salary adjustments in accordance with Company policy and subject to review and approval by the Board of Directors, or such designated committee.
- Performance Bonus: You will be eligible to receive an annual cash bonus for achievement of certain corporate and individual goals (the "Performance Bonus"), which shall be established annually on a calendar year basis by the Board of Directors, or a designated committee thereof. The amount of such Performance Bonus shall be targeted at 30% of your Base Salary, with the amount of such bonus to be determined in the discretion of the Board of Directors or such designated committee. Any Performance Bonus will be paid to you by March 15 of the year following the calendar year with respect to which a Performance Bonus is earned, so long as you remain employed as of such payment date.
- Equity: You will be awarded an option to purchase up to 35,000 shares of the Company's common stock (the "Options") at an exercise price equal to the closing price on the Nasdaq Stock Market on the grant date. The Options will vest with respect to one-quarter of the underlying shares on the first anniversary of the grant date then the remaining three-fourths will vest quarterly in equal portions over three years, so that the Options are fully vested and exercisable on the fourth anniversary of the grant date, subject to your continued employment through each applicable vesting date. The Options are subject in all respects to the terms and conditions of the Company's 2014 Stock Incentive Plan.

- Benefits: During your employment, you will be eligible to participate in any and all employee benefit plans made available by the Company from time to time to its employees generally, subject to plan terms and generally applicable Company policies and eligibility requirements. The Company's benefits, payroll, and other human resource management services are provided through TriNet HR Corporation ("TriNet"), a professional employer organization. The Company, through TriNet, offers a full range of benefits for you and your qualified dependents. Information about these benefits are included with this letter, and additional information will be available on-line in the Terms and Conditions Agreement (TCA) that each new employee must accept in order to access TriNet's on-line self-service portal, TriNet Passport.
- Vacation: You will be eligible to receive up to four weeks of paid vacation per calendar year, plus two floating holidays, and paid holidays as designated by the Company.

You will be expected to devote your full business time and your best professional efforts, judgment, knowledge and skill exclusively to the performance of your duties and responsibilities for the Company and its affiliates, and to abide by all Company policies and codes of conduct, as in effect from time to time. As Senior Vice President, Finance, you will report to the Chief Executive Officer and the Audit Committee of the Board of Directors and be expected to perform the duties of your position and other duties as may be assigned to you from time to time.

If you accept our offer, your employment with the Company will be "at-will." This means your employment is not for any specific period of time and can be terminated by you at any time for any reason or for no reason. Likewise, the Company may terminate the employment relationship at any time, with or without cause or advance notice and for any or no reason. In addition, the Company reserves the right to modify your position, duties or reporting relationship to meet business needs, and to use its managerial discretion in deciding on appropriate discipline when it deems circumstances so warrant.

This offer of employment is contingent upon you fulfilling each of the following terms:

1. Acknowledgement of Employee Handbook and Confidentiality Agreement: As an employee of the Company, you are required to follow its policies and procedures. Therefore, you will be asked to acknowledge, through the TriNet online platform, that you have read the employee handbook. You will also be asked to sign the Company's Proprietary and Inventions Agreement which prohibits, among other things, the unauthorized use or disclosure of the Company's confidential and proprietary information.
2. Required Documentation: To comply with the government-mandated confirmation of employment eligibility, please review the enclosed I-9 Form and "List of Acceptable Documents" as approved by the United States Department of Justice for establishing identity and employment eligibility. Please bring the required I-9 documents with you on your first day of employment; failure to submit proof of your employment eligibility will postpone your start date or result in termination of your employment.

This letter, including the enclosed Confidential Information and Invention Assignment Agreement, constitutes the entire agreement between you and the Company relating to the subject matters addressed therein, and supersedes all prior or contemporaneous agreements, understandings, negotiations and representations, whether oral or written, express or implied, on these subjects. This letter may not be modified or amended, and no breach is to be regarded as waived, unless agreed to in a specific, written agreement signed by you and the Company. This letter shall be governed and construed in accordance with the laws of the State of California, without regard to the conflict of laws principles thereof.

To indicate your acceptance of the Company's offer on the terms and conditions set forth in this letter, please sign and date this letter in the space provided below and return it to our offices or by email by 5:00 p.m. (Pacific Time) on July 7, 2017.

We hope your employment with the Company will prove mutually rewarding, and we look forward to having you join us. If you have any questions, please feel free to call me directly.

Sincerely,

/s/ Gregory J. Flesher

Gregory J. Flesher
President and Chief Executive Officer
Novus Therapeutics, Inc.

AGREED AND ACCEPTED

/s/ Jon Kuwahara
Jon Kuwahara

July 5, 2017
Date

Enclosures: Proprietary Information and Inventions Agreement
Electronic I-9 Quick Start Guide and I-9 List of Acceptable Documents

Exhibit 10.6

NOVUS THERAPEUTICS, INC.

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement (the "**Agreement**") is effective as of August 7, 2017 (the "**Effective Date**") by and between Gregory J. Flesher ("**Employee**") and Novus Therapeutics. Inc, a Delaware corporation (the "**Company**"). This Agreement is intended to provide Employee with certain benefits described herein upon the occurrence of specific events.

RECITALS

A It is expected that the Company may from time to time consider the possibility of realigning its organization.

B It is further expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors.

C The Board of Directors recognizes that such considerations can be a distraction to Employee and can cause Employee to consider alternative employment opportunities.

D The Board of Directors has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Employee, notwithstanding the foregoing factors.

E The Company's Board of Directors believes it is in the best interests of the Company and its shareholders to retain Employee and provide incentives to Employee to continue in the service of the Company.

F The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon certain termination of Employee's employment, including in connection with a Change in Control, which benefits are intended to provide Employee with financial security and provide sufficient income and encouragement to Employee to remain with the Company, including and notwithstanding the possibility of a Change in Control.

G To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement, which Agreement shall supersede any agreement or understanding pertaining to the subject matter herein, including any offer letter between the Company and Employee, as of the Effective Date.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT.

The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time, with or without Cause or notice. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement. The rights and duties created by this Agreement are contingent upon Employee's (i) full compliance with any confidentiality, inventions, and non-solicitation agreement between Employee and the Company (an "**Ancillary Agreement**"), and (ii) execution of a severance and release of claims agreement provided by the Company (the "**Severance Agreement**") within forty-five (45) days following his/her termination of employment (or such lesser period as is then required by the Severance Agreement), and (iii) such Severance Agreement becoming effective and irrevocable in accordance with its term no later than sixty (60) days following termination of employment. The Severance Agreement may not be modified in any way except by a written agreement executed by Employee and an officer of the Company upon direction from the Board of Directors.

2. TERMINATION BENEFITS.

(a) Benefits Upon a Change in Control Involuntary Termination.

(i) Treatment of Equity Awards. In the event that Employee is subject to a Change in Control Involuntary Termination, 100% of Employee's unvested Company equity-based awards (including, but not limited to, stock options, restricted stock, restricted stock units, and stock appreciation rights) shall become immediately vested on such termination date and the risk of forfeiture of 100% of Employee's restricted stock, if any, shall lapse on such termination date. Each such equity award shall be exercisable in accordance with the provisions of the award agreement and plan pursuant to which such equity award was granted, including, in the case of stock options, the plan or award agreement provisions regarding any post-termination period of exercisability.

(ii) Severance. In the event that Employee is subject to a Change in Control Involuntary Termination, Employee shall be entitled to receive severance benefits as follows: (A) a lump sum cash severance payment equal to 1.5 multiplied by the sum of (x) the annual base salary which Employee was receiving immediately prior to the Change in Control Involuntary Termination, plus (y) the larger of (1) Employee's annual target bonus or (2) the annual bonus earned by Employee for the year preceding the year of termination; (B) a lump sum cash payment equal to a pro-rata portion of Employee's target annual bonus amount for the year in which the Change in Control Involuntary Termination occurs; and (C) payment by the Company of the full cost of the health insurance benefits provided to Employee and Employee's spouse and dependents, as applicable, immediately prior to the Change in Control pursuant to the terms of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") or other applicable law through the earlier of the end of the 18-month period following the Change in Control Involuntary Termination date or the date upon which Employee is no

longer eligible for such COBRA or other benefits under applicable law, provided that if the Company's paying for health insurance benefits violates nondiscrimination laws, the payments will cease. The benefits to be provided under clauses (a)(i) and (a)(ii) shall be paid or commence to be paid on the first payroll date following the date that the Severance Agreement becomes effective and irrevocable (provided that if the forty-five (45) day period to execute the Severance Agreement ends in a calendar year subsequent to the year in which Employee was terminated, payment will not begin before the first business day of that subsequent year). Notwithstanding the foregoing, in the event the Board of Directors concludes in its reasonable judgment that the provision of subsidized COBRA benefits to Employee is likely to cause the Company to become subject to an excise tax under applicable law, the Company shall pay Employee a monthly amount in cash equal to the amount of the COBRA subsidy during the period the Company is obligated to provide subsidized COBRA benefits to Employee.

(b) Benefits Upon an Other Involuntary Termination.

(i) Severance. In the event that Employee is subject to an Other Involuntary Termination, Employee shall be entitled to receive severance benefits as follows: (A) continued payment of Employee's base salary that Employee was receiving immediately prior to the Other Involuntary Termination for 12-months after the date of the termination (for purposes of this Section 2(b)(i), the "**Severance Period**"), which payments shall be paid during the Severance Period in accordance with the Company's standard payroll practices; and (B) payment by the Company of the full cost of the health insurance benefits provided to Employee and Employee's spouse and dependents, as applicable, immediately prior to the Other Involuntary Termination pursuant to the terms of COBRA or other applicable law through the earlier of the end of the Severance Period or the date upon which Employee is no longer eligible for such COBRA or other benefits under applicable law, provided that if the Company's paying for health insurance benefits violates nondiscrimination laws, the payments will cease. The benefits to be provided under Section 2(b)(i) shall be paid or commence to be paid on the first payroll date following the date that the Severance Agreement becomes effective and irrevocable (provided that if the forty-five (45) day period to execute the Severance Agreement ends in a calendar year subsequent to the year in which Employee was terminated, payment will not begin before the first business day of that subsequent year), subject to Employee's compliance with any Ancillary Agreement and execution, release, and non-revocation of the Severance Agreement as set forth in Section 1. Notwithstanding the foregoing, in the event the Board of Directors concludes in its reasonable judgment that the provision of subsidized COBRA benefits to Employee is likely to cause the Company to become subject to an excise tax under applicable law, the Company shall pay Employee a monthly amount in cash equal to the amount of the COBRA subsidy during the period the Company is obligated to provide subsidized COBRA benefits to Employee.

(c) Termination for Cause or Voluntary Resignation. If Employee's employment is terminated for Cause at any time, if Employee voluntarily resigns from the Company under circumstances which do not constitute a Change in Control Involuntary Termination or an Other Involuntary Termination, or if Employee's employment terminates due

to Employee's death or disability, then Employee shall not be entitled to receive payment of any severance benefits or equity award acceleration. Nevertheless, Employee shall receive payment(s) for all salary, bonuses and unpaid vacation accrued as of the date of Employee's termination of employment.

3. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "**Cause**" means: (i) Employee's conviction of, or plea of guilty or nolo contendere to, any crime involving dishonesty or moral turpitude or any felony; or (ii) a good faith finding by the Company that Employee has (x) engaged in dishonesty, willful misconduct or gross negligence in connection with the performance of your duties or services to the Company, (y) breached an Ancillary Agreement, or (z) violated Company policies or procedures in a manner that has materially injured, or is reasonably likely to materially injure, the Company's business or reputation.

(b) Change in Control. "**Change in Control**" means:

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) (a "**Person**") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (x) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), or (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(ii) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a "**Business Combination**"), unless, immediately following such Business Combination all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as

their ownership of the Outstanding Company Voting Securities immediately prior to such Business Combination: provided that, where required to avoid additional taxation under Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), the event that occurs must also be a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Regulation Section 1.409A-3(i)(5).

(c) Change in Control Involuntary Termination. "**Change in Control Involuntary Termination**" shall mean: (i) any termination by the Company other than for Cause (not including a termination as a result of Employee's death or disability), or (ii) Employee's voluntary termination for Good Reason, in each case in connection with, or within the period ending twelve (12) months following the effective date of a Change in Control.

(d) Good Reason. "**Good Reason**" means: (i) a material adverse change in Employee's duties, responsibilities, title or reporting relationship, (ii) a material reduction in Employee's annualized base salary without your prior consent (other than in connection with, and in an amount substantially proportionate to, reductions made by the Company to the annualized base salaries of its other senior executives), or (iii) the relocation of Employee's principal business location following a Change in Control, such that Employee's daily commute is increased by at least 50 miles. To terminate Employee's employment for Good Reason, Employee must (x) provide notice to the Company of the event giving rise to the Good Reason within ninety (90) days after such event occurs, (y) provide the Company with at least thirty (30) days to cure, and (z) if not cured, resign for Good Reason within thirty (30) days following expiration of the cure period.

(e) Other Involuntary Termination. "**Other Involuntary Termination**" shall mean (i) any termination by the Company other than for Cause (not including a termination as a result of Employee's death or disability), or (ii) Employee's voluntary termination for Good Reason, in each case, excluding a Change in Control Involuntary Termination.

4. LIMITATION AND CONDITIONS ON PAYMENTS.

In the event that the severance and other benefits provided to Employee under this Agreement and any other agreement (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, then Employee's severance benefits under Sections 2(a) and 2(b) shall be payable either:

(a) in full; or

(b) as to such lesser amount which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code;

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Employee on an after-tax basis, of the greatest amount of severance benefits under Section 2(a) and 2(b), notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. The reduction of payments and benefits hereunder, if

applicable, shall be made by reducing, first, cash severance pay that is exempt from Section 409A of the Code; second, any other cash severance pay; third, any other payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time); fourth, reducing any benefit to be provided in kind hereunder in a similar order, except for equity-based awards; fifth, any restricted stock, restricted stock units or similar awards, to be reduced in a similar order; and lastly, sixth, any stock options, stock appreciation right or similar awards, to be reduced in a similar order. Unless the Company and Employee otherwise agree in writing, any determination required under this Section 4 shall be made in writing by a qualified independent certified public accounting or law firm selected by the Company and approved by Employee, which such approval shall not be unreasonably withheld (the "**Independent Tax Professional**"). Employee shall not be deemed to have unreasonably withheld approval if Employee does not consent to an Independent Tax Professional selected by the Company that has provided any services to the Company or any successor corporation within the preceding five (5) year period. The Independent Tax Professional shall provide its determinations and any supporting calculations both to the Company and Employee in writing setting forth in reasonable detail the basis of the Independent Tax Professional's determinations, which shall be subject to approval by Employee, which such approval shall not be unreasonably withheld. Such determination shall be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this Section 4, the Independent Tax Professional may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. The Company and Employee shall furnish to the Independent Tax Professional such information and documents as the Independent Tax Professional may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Independent Tax Professional may reasonably incur in connection with any calculations contemplated by this Section 4. If, after the payment of severance benefits has been made to Employee, it is established that the payments made to, or provided for the benefit of Employee, exceed the limitations provided in Section 4(b) (an "**Excess Payment**") or are less than such limitations (an "**Underpayment**"), as the case may be, then the following shall apply: (x) if it is determined that an Excess Payment has been made, Employee shall repay the Excess Payment within 20 days following the determination of such Excess Payment; and (y) if it is determined that an Underpayment has occurred, the Company shall pay an amount equal to the Underpayment to Employee on the later of (A) 20 days after such determination or resolution and (B) the time period such payment would otherwise have been paid or provided to Employee absent the application of Section 4(b).

5. SECTION 409A. Notwithstanding any provision of this Agreement to the contrary, if, at the time of Employee's termination of employment with the Company, Employee is a "specified employee" (as defined in Section 409A of the Code) and the deferral of the commencement of any severance payments or benefits otherwise payable pursuant to this Agreement as a result of such termination of employment is necessary in order to prevent any accelerated income recognition or additional tax under Section 409A of the Code, then the Company will not commence any payment of any such severance payments or benefits otherwise required hereunder (but without any reduction in such payments or benefits ultimately paid or provided to Employee) that (a) will not and may not under any circumstances, regardless of

when such termination occurs, be paid in full by March 15 of the year following Employee's termination of employment, and (b) are in excess of the lesser of (i) two (2) times Employee's then annual compensation or (ii) two (2) times the limit on compensation then set forth in Section 401(a)(17) of the Code and will not be paid by the end of the second calendar year following the year in which the termination occurs, *until* the first payroll date that occurs after the date that is six (6) months following Employee's "separation of service" with the Company (as defined under Code Section 409A). If any payments are delayed due to such requirements, such amounts will be paid in a lump sum to Employee on the earliest of (x) Employee's death following the date of Employee's termination of employment with the Company or (y) the first payroll date that occurs after the date that is six (6) months following Employee's "separation of service" with the Company. For these purposes, each severance payment or benefit is designated as a separate payment or benefit for purposes of Treasury Regulation Section 1.409A-2(b) and will not collectively be treated as a single payment or benefit. This paragraph is intended to comply with the requirements of Section 409A of the Code so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A of the Code and any ambiguities herein will be interpreted to so comply. Employee and the Company agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Employee under Section 409A of the Code. Notwithstanding anything to the contrary contained herein, to the extent that any amendment to this Agreement with respect to the payment of any severance payments or benefits would constitute under Code Section 409A a delay in a payment or a change in the form of payment, then such amendment must be done in a manner that complies with Code Section 409A(a)(4)(C).

6. CONFLICTS. Employee represents that Employee's performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that Employee is entering into or has entered into an employment relationship with the Company of Employee's own free will.

7. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, 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. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. NOTICE. 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 when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address which Employee most recently communicated to the Company in writing. 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 Company's Legal Department.

9. MISCELLANEOUS PROVISIONS.

(a) No Duty to Mitigate. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(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 Employee and by an authorized officer of the Company (other than Employee). 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. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement supersedes the severance and change of control terms of that certain Executive Employment Agreement between the Executive and Otic Pharma Inc., dated as of July 15, 2015, and any other agreement with the Company and its subsidiaries concerning similar subject matter dated prior to the date hereof; by execution of this Agreement, both parties agree that any relevant provisions of such predecessor agreement(s) shall be deemed null and void.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) Severability. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefor to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) Legal Fees and Expenses. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with entering into this Agreement.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 9(g) shall be void.

(h) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company. In the case of any such assignment, the term "**Company**" when used in a section of this Agreement shall mean the corporation that actually employs Employee. Notwithstanding the foregoing, neither the Company (or any successor thereto) nor Employee may assign its obligations under this Agreement.

(j) 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.

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Management Continuity Agreement on the date first written above.

NOVUS THERAPEUTICS, INC.

By: /s/ Jon Kuwahara
Name: Jon Kuwahara
Title: Senior Vice President of Finance and Administration

EMPLOYEE

/s/ Gregory J. Flesher
Gregory J. Flesher

NOVUS THERAPEUTICS, INC.

MANAGEMENT CONTINUITY AGREEMENT

This Management Continuity Agreement (the "**Agreement**") is effective as of August 7, 2017 (the "**Effective Date**") by and between Jon S. Kuwahara ("**Employee**") and Novus Therapeutics. Inc, a Delaware corporation (the "**Company**"). This Agreement is intended to provide Employee with certain benefits described herein upon the occurrence of specific events.

RECITALS

A It is expected that the Company may from time to time consider the possibility of realigning its organization.

B It is further expected that another company may from time to time consider the possibility of acquiring the Company or that a change in control may otherwise occur, with or without the approval of the Company's Board of Directors.

C The Board of Directors recognizes that such considerations can be a distraction to Employee and can cause Employee to consider alternative employment opportunities.

D The Board of Directors has determined that it is in the best interests of the Company and its shareholders to assure that the Company will have the continued dedication and objectivity of Employee, notwithstanding the foregoing factors.

E The Company's Board of Directors believes it is in the best interests of the Company and its shareholders to retain Employee and provide incentives to Employee to continue in the service of the Company.

F The Board of Directors further believes that it is imperative to provide Employee with certain benefits upon certain termination of Employee's employment, including in connection with a Change in Control, which benefits are intended to provide Employee with financial security and provide sufficient income and encouragement to Employee to remain with the Company, including and notwithstanding the possibility of a Change in Control.

G To accomplish the foregoing objectives, the Board of Directors has directed the Company, upon execution of this Agreement by Employee, to agree to the terms provided in this Agreement, which Agreement shall supersede any agreement or understanding pertaining to the subject matter herein, including any offer letter between the Company and Employee, as of the Effective Date.

Now therefore, in consideration of the mutual promises, covenants and agreements contained herein, and in consideration of the continuing employment of Employee by the Company, the parties hereto agree as follows:

1. AT-WILL EMPLOYMENT.

The Company and Employee acknowledge that Employee's employment is and shall continue to be at-will, as defined under applicable law, and that Employee's employment with the Company may be terminated by either party at any time, with or without Cause or notice. If Employee's employment terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, award or compensation other than as provided in this Agreement. The rights and duties created by this Agreement are contingent upon Employee's (i) full compliance with any confidentiality, inventions, and non-solicitation agreement between Employee and the Company (an "**Ancillary Agreement**"), and (ii) execution of a severance and release of claims agreement provided by the Company (the "**Severance Agreement**") within forty-five (45) days following his/her termination of employment (or such lesser period as is then required by the Severance Agreement), and (iii) such Severance Agreement becoming effective and irrevocable in accordance with its term no later than sixty (60) days following termination of employment. The Severance Agreement may not be modified in any way except by a written agreement executed by Employee and an officer of the Company upon direction from the Board of Directors.

2. TERMINATION BENEFITS.

(a) Benefits Upon a Change in Control Involuntary Termination.

(i) Treatment of Equity Awards. In the event that Employee is subject to a Change in Control Involuntary Termination, 100% of Employee's unvested Company equity-based awards (including, but not limited to, stock options, restricted stock, restricted stock units, and stock appreciation rights) shall become immediately vested on such termination date and the risk of forfeiture of 100% of Employee's restricted stock, if any, shall lapse on such termination date. Each such equity award shall be exercisable in accordance with the provisions of the award agreement and plan pursuant to which such equity award was granted, including, in the case of stock options, the plan or award agreement provisions regarding any post-termination period of exercisability.

(ii) Severance. In the event that Employee is subject to a Change in Control Involuntary Termination, Employee shall be entitled to receive severance benefits as follows: (A) a lump sum cash severance payment equal to 1.0 multiplied by the sum of (x) the annual base salary which Employee was receiving immediately prior to the Change in Control Involuntary Termination, plus (y) the larger of (1) Employee's annual target bonus or (2) the annual bonus earned by Employee for the year preceding the year of termination; (B) a lump sum cash payment equal to a pro-rata portion of Employee's target annual bonus amount for the year in which the Change in Control Involuntary Termination occurs; and (C) payment by the Company of the full cost of the health insurance benefits provided to Employee and Employee's spouse and dependents, as applicable, immediately prior to the Change in Control pursuant to the terms of the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended ("**COBRA**") or other applicable law through the earlier of the end of the 12-month period following the Change in Control Involuntary Termination date or the date upon which Employee is no

longer eligible for such COBRA or other benefits under applicable law, provided that if the Company's paying for health insurance benefits violates nondiscrimination laws, the payments will cease. The benefits to be provided under clauses (a)(i) and (a)(ii) shall be paid or commence to be paid on the first payroll date following the date that the Severance Agreement becomes effective and irrevocable (provided that if the forty-five (45) day period to execute the Severance Agreement ends in a calendar year subsequent to the year in which Employee was terminated, payment will not begin before the first business day of that subsequent year). Notwithstanding the foregoing, in the event the Board of Directors concludes in its reasonable judgment that the provision of subsidized COBRA benefits to Employee is likely to cause the Company to become subject to an excise tax under applicable law, the Company shall pay Employee a monthly amount in cash equal to the amount of the COBRA subsidy during the period the Company is obligated to provide subsidized COBRA benefits to Employee.

(b) Benefits Upon an Other Involuntary Termination.

(i) Severance. In the event that Employee is subject to an Other Involuntary Termination, Employee shall be entitled to receive severance benefits as follows: (A) continued payment of Employee's base salary that Employee was receiving immediately prior to the Other Involuntary Termination for 9-months after the date of the termination (for purposes of this Section 2(b)(i), the "**Severance Period**"), which payments shall be paid during the Severance Period in accordance with the Company's standard payroll practices; and (B) payment by the Company of the full cost of the health insurance benefits provided to Employee and Employee's spouse and dependents, as applicable, immediately prior to the Other Involuntary Termination pursuant to the terms of COBRA or other applicable law through the earlier of the end of the Severance Period or the date upon which Employee is no longer eligible for such COBRA or other benefits under applicable law, provided that if the Company's paying for health insurance benefits violates nondiscrimination laws, the payments will cease. The benefits to be provided under Section 2(b)(i) shall be paid or commence to be paid on the first payroll date following the date that the Severance Agreement becomes effective and irrevocable (provided that if the forty-five (45) day period to execute the Severance Agreement ends in a calendar year subsequent to the year in which Employee was terminated, payment will not begin before the first business day of that subsequent year), subject to Employee's compliance with any Ancillary Agreement and execution, release, and non-revocation of the Severance Agreement as set forth in Section 1. Notwithstanding the foregoing, in the event the Board of Directors concludes in its reasonable judgment that the provision of subsidized COBRA benefits to Employee is likely to cause the Company to become subject to an excise tax under applicable law, the Company shall pay Employee a monthly amount in cash equal to the amount of the COBRA subsidy during the period the Company is obligated to provide subsidized COBRA benefits to Employee.

(c) Termination for Cause or Voluntary Resignation. If Employee's employment is terminated for Cause at any time, if Employee voluntarily resigns from the Company under circumstances which do not constitute a Change in Control Involuntary Termination or an Other Involuntary Termination, or if Employee's employment terminates due

to Employee's death or disability, then Employee shall not be entitled to receive payment of any severance benefits or equity award acceleration. Nevertheless, Employee shall receive payment(s) for all salary, bonuses and unpaid vacation accrued as of the date of Employee's termination of employment.

3. DEFINITION OF TERMS. The following terms referred to in this Agreement shall have the following meanings:

(a) Cause. "**Cause**" means: (i) Employee's conviction of, or plea of guilty or nolo contendere to, any crime involving dishonesty or moral turpitude or any felony; or (ii) a good faith finding by the Company that Employee has (x) engaged in dishonesty, willful misconduct or gross negligence in connection with the performance of your duties or services to the Company, (y) breached an Ancillary Agreement, or (z) violated Company policies or procedures in a manner that has materially injured, or is reasonably likely to materially injure, the Company's business or reputation.

(b) Change in Control. "**Change in Control**" means:

(i) the acquisition by an individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (the "**Exchange Act**")) (a "**Person**") of beneficial ownership of any capital stock of the Company if, after such acquisition, such Person beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act) 50% or more of the combined voting power of the then-outstanding securities of the Company entitled to vote generally in the election of directors (the "**Outstanding Company Voting Securities**"); provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change in Control: (x) any acquisition directly from the Company (excluding an acquisition pursuant to the exercise, conversion or exchange of any security exercisable for, convertible into or exchangeable for common stock or voting securities of the Company, unless the Person exercising, converting or exchanging such security acquired such security directly from the Company or an underwriter or agent of the Company), or (y) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company; or

(ii) the consummation of a merger, consolidation, reorganization, recapitalization or statutory share exchange involving the Company or a sale or other disposition of all or substantially all of the assets of the Company (a "**Business Combination**"), unless, immediately following such Business Combination all or substantially all of the individuals and entities who were the beneficial owners of the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the combined voting power of the then-outstanding securities entitled to vote generally in the election of directors, respectively, of the resulting or acquiring corporation in such Business Combination (which shall include, without limitation, a corporation which as a result of such transaction owns the Company or substantially all of the Company's assets either directly or through one or more subsidiaries) in substantially the same proportions as

their ownership of the Outstanding Company Voting Securities immediately prior to such Business Combination: provided that, where required to avoid additional taxation under Section 409A of the Internal Revenue Code of 1986, as amended (the "**Code**"), the event that occurs must also be a "change in the ownership or effective control of a corporation, or a change in the ownership of a substantial portion of the assets of a corporation" as defined in Treasury Regulation Section 1.409A-3(i)(5).

(c) Change in Control Involuntary Termination. "**Change in Control Involuntary Termination**" shall mean: (i) any termination by the Company other than for Cause (not including a termination as a result of Employee's death or disability), or (ii) Employee's voluntary termination for Good Reason, in each case in connection with, or within the period ending twelve (12) months following the effective date of a Change in Control.

(d) Good Reason. "**Good Reason**" means: (i) a material adverse change in Employee's duties, responsibilities, title or reporting relationship, (ii) a material reduction in Employee's annualized base salary without your prior consent (other than in connection with, and in an amount substantially proportionate to, reductions made by the Company to the annualized base salaries of its other senior executives), or (iii) the relocation of Employee's principal business location following a Change in Control, such that Employee's daily commute is increased by at least 50 miles. To terminate Employee's employment for Good Reason, Employee must (x) provide notice to the Company of the event giving rise to the Good Reason within ninety (90) days after such event occurs, (y) provide the Company with at least thirty (30) days to cure, and (z) if not cured, resign for Good Reason within thirty (30) days following expiration of the cure period.

(e) Other Involuntary Termination. "**Other Involuntary Termination**" shall mean (i) any termination by the Company other than for Cause (not including a termination as a result of Employee's death or disability), or (ii) Employee's voluntary termination for Good Reason, in each case, excluding a Change in Control Involuntary Termination.

4. LIMITATION AND CONDITIONS ON PAYMENTS.

In the event that the severance and other benefits provided to Employee under this Agreement and any other agreement (i) constitute "parachute payments" within the meaning of Section 280G of the Code and (ii) but for this Section, would be subject to the excise tax imposed by Section 4999 of the Code, then Employee's severance benefits under Sections 2(a) and 2(b) shall be payable either:

(a) in full; or

(b) as to such lesser amount which would result in no portion of such severance benefits being subject to excise tax under Section 4999 of the Code;

whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the excise tax imposed by Section 4999, results in the receipt by Employee on an after-tax basis, of the greatest amount of severance benefits under Section 2(a) and 2(b), notwithstanding that all or some portion of such severance benefits may be taxable under Section 4999 of the Code. The reduction of payments and benefits hereunder, if

applicable, shall be made by reducing, first, cash severance pay that is exempt from Section 409A of the Code; second, any other cash severance pay; third, any other payments or benefits to be paid in cash hereunder in the order in which such payment or benefit would be paid or provided (beginning with such payment or benefit that would be made last in time and continuing, to the extent necessary, through to such payment or benefit that would be made first in time); fourth, reducing any benefit to be provided in kind hereunder in a similar order, except for equity-based awards; fifth, any restricted stock, restricted stock units or similar awards, to be reduced in a similar order; and lastly, sixth, any stock options, stock appreciation right or similar awards, to be reduced in a similar order. Unless the Company and Employee otherwise agree in writing, any determination required under this Section 4 shall be made in writing by a qualified independent certified public accounting or law firm selected by the Company and approved by Employee, which such approval shall not be unreasonably withheld (the "**Independent Tax Professional**"). Employee shall not be deemed to have unreasonably withheld approval if Employee does not consent to an Independent Tax Professional selected by the Company that has provided any services to the Company or any successor corporation within the preceding five (5) year period. The Independent Tax Professional shall provide its determinations and any supporting calculations both to the Company and Employee in writing setting forth in reasonable detail the basis of the Independent Tax Professional's determinations, which shall be subject to approval by Employee, which such approval shall not be unreasonably withheld. Such determination shall be conclusive and binding upon Employee and the Company for all purposes. For purposes of making the calculations required by this Section 4, the Independent Tax Professional may make reasonable assumptions and approximations concerning applicable taxes and may rely on reasonable, good faith interpretations concerning the application of Section 280G and 4999 of the Code. The Company and Employee shall furnish to the Independent Tax Professional such information and documents as the Independent Tax Professional may reasonably request in order to make a determination under this Section. The Company shall bear all costs the Independent Tax Professional may reasonably incur in connection with any calculations contemplated by this Section 4. If, after the payment of severance benefits has been made to Employee, it is established that the payments made to, or provided for the benefit of Employee, exceed the limitations provided in Section 4(b) (an "**Excess Payment**") or are less than such limitations (an "**Underpayment**"), as the case may be, then the following shall apply: (x) if it is determined that an Excess Payment has been made, Employee shall repay the Excess Payment within 20 days following the determination of such Excess Payment; and (y) if it is determined that an Underpayment has occurred, the Company shall pay an amount equal to the Underpayment to Employee on the later of (A) 20 days after such determination or resolution and (B) the time period such payment would otherwise have been paid or provided to Employee absent the application of Section 4(b).

5. SECTION 409A. Notwithstanding any provision of this Agreement to the contrary, if, at the time of Employee's termination of employment with the Company, Employee is a "specified employee" (as defined in Section 409A of the Code) and the deferral of the commencement of any severance payments or benefits otherwise payable pursuant to this Agreement as a result of such termination of employment is necessary in order to prevent any accelerated income recognition or additional tax under Section 409A of the Code, then the Company will not commence any payment of any such severance payments or benefits otherwise required hereunder (but without any reduction in such payments or benefits ultimately paid or provided to Employee) that (a) will not and may not under any circumstances, regardless of

when such termination occurs, be paid in full by March 15 of the year following Employee's termination of employment, and (b) are in excess of the lesser of (i) two (2) times Employee's then annual compensation or (ii) two (2) times the limit on compensation then set forth in Section 401(a)(17) of the Code and will not be paid by the end of the second calendar year following the year in which the termination occurs, *until* the first payroll date that occurs after the date that is six (6) months following Employee's "separation of service" with the Company (as defined under Code Section 409A). If any payments are delayed due to such requirements, such amounts will be paid in a lump sum to Employee on the earliest of (x) Employee's death following the date of Employee's termination of employment with the Company or (y) the first payroll date that occurs after the date that is six (6) months following Employee's "separation of service" with the Company. For these purposes, each severance payment or benefit is designated as a separate payment or benefit for purposes of Treasury Regulation Section 1.409A-2(b) and will not collectively be treated as a single payment or benefit. This paragraph is intended to comply with the requirements of Section 409A of the Code so that none of the severance payments and benefits to be provided hereunder will be subject to the additional tax imposed under Section 409A of the Code and any ambiguities herein will be interpreted to so comply. Employee and the Company agree to work together in good faith to consider amendments to this Agreement and to take such reasonable actions which are necessary, appropriate or desirable to avoid imposition of any additional tax or income recognition prior to actual payment to Employee under Section 409A of the Code. Notwithstanding anything to the contrary contained herein, to the extent that any amendment to this Agreement with respect to the payment of any severance payments or benefits would constitute under Code Section 409A a delay in a payment or a change in the form of payment, then such amendment must be done in a manner that complies with Code Section 409A(a)(4)(C).

6. CONFLICTS. Employee represents that Employee's performance of all the terms of this Agreement will not breach any other agreement to which Employee is a party. Employee has not, and will not during the term of this Agreement, enter into any oral or written agreement in conflict with any of the provisions of this Agreement. Employee further represents that Employee is entering into or has entered into an employment relationship with the Company of Employee's own free will.

7. SUCCESSORS. Any successor to the Company (whether direct or indirect and whether by purchase, lease, 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. The terms of this Agreement and all of Employee's rights hereunder and thereunder shall inure to the benefit of, and be enforceable by, Employee's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

8. NOTICE. 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 when mailed by U.S. registered or certified mail, return receipt requested and postage prepaid. Mailed notices to Employee shall be addressed to Employee at the home address which Employee most recently communicated to the Company in writing. 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 Company's Legal Department.

9. MISCELLANEOUS PROVISIONS.

(a) No Duty to Mitigate. Employee shall not be required to mitigate the amount of any payment contemplated by this Agreement (whether by seeking new employment or in any other manner), nor shall any such payment be reduced by any earnings that Employee may receive from any other source.

(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 Employee and by an authorized officer of the Company (other than Employee). 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. No agreements, representations or understandings (whether oral or written and whether express or implied) which are not expressly set forth in this Agreement have been made or entered into by either party with respect to the subject matter hereof. This Agreement supersedes the severance and change of control terms of that certain employment Offer Letter between the Executive and the Company, dated as of July 1, 2017, and any other agreement with the Company and its subsidiaries concerning similar subject matter dated prior to the date hereof; by execution of this Agreement, both parties agree that any relevant provisions of such predecessor agreement(s) shall be deemed null and void.

(d) Choice of Law. The validity, interpretation, construction and performance of this Agreement shall be governed by the laws of the State of California without reference to conflict of laws provisions.

(e) Severability. If any term or provision of this Agreement or the application thereof to any circumstance shall, in any jurisdiction and to any extent, be invalid or unenforceable, such term or provision shall be ineffective as to such jurisdiction to the extent of such invalidity or unenforceability without invalidating or rendering unenforceable the remaining terms and provisions of this Agreement or the application of such terms and provisions to circumstances other than those as to which it is held invalid or unenforceable, and a suitable and equitable term or provision shall be substituted therefor to carry out, insofar as may be valid and enforceable, the intent and purpose of the invalid or unenforceable term or provision.

(f) Legal Fees and Expenses. The parties shall each bear their own expenses, legal fees and other fees incurred in connection with entering into this Agreement.

(g) No Assignment of Benefits. The rights of any person to payments or benefits under this Agreement shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 9(g) shall be void.

(h) Employment Taxes. All payments made pursuant to this Agreement will be subject to withholding of applicable income and employment taxes.

(i) Assignment by Company. The Company may assign its rights under this Agreement to an affiliate, and an affiliate may assign its rights under this Agreement to another affiliate of the Company or to the Company. In the case of any such assignment, the term "**Company**" when used in a section of this Agreement shall mean the corporation that actually employs Employee. Notwithstanding the foregoing, neither the Company (or any successor thereto) nor Employee may assign its obligations under this Agreement.

(j) 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.

[SIGNATURE PAGE FOLLOWS]

The parties have executed this Management Continuity Agreement on the date first written above.

NOVUS THERAPEUTICS, INC.

By: /s/ Gregory J. Flesher
Name: Gregory J. Flesher
Title: President and Chief Executive Officer

EMPLOYEE

/s/ Jon S. Kuwahara
Jon S. Kuwahara

Exhibit 31.1

CERTIFICATIONS

I, Gregory J. Flesher, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novus Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

By: /s/ Gregory J. Flesher
Gregory J. Flesher
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Jon S. Kuwahara, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Novus Therapeutics, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2017

By: /s/ Jon S. Kuwahara
Jon S. Kuwahara
Senior Vice President Finance & Administration
(Principal Financial and Accounting Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Novus Therapeutics, Inc. (the "Company") for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gregory J. Flesher, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of her knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2017

By: /s/ Gregory J. Flesher
Gregory J. Flesher
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Novus Therapeutics, Inc. (the "Company") for the period ended June 30, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Jon S. Kuwahara, Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of his knowledge:

(1) the Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 9, 2017

By: /s/ Jon S. Kuwahara
Jon S. Kuwahara
Senior Vice President Finance & Administration
(Principal Financial and Accounting Officer)