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 September 30, 2015

OR

o **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 001-36395

CERULEAN PHARMA INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**20-4139823**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
840 Memorial Drive Cambridge, MA	**02139**
(Address of Principal Executive Offices)	**(Zip Code)**

(617) 551-9600

(Registrant's Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 o

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 o

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. (Check one):

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

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

Number of shares of the registrant's Common Stock, $ 0.0001 par value, outstanding on November 10, 2015: 27,346,780

CERULEAN PHARMA INC.

FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2015

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

CERULEAN PHARMA INC.

CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)
(in thousands except share data and par value)

	September 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$ 77,631	$ 51,174
Accounts receivable, prepaid expenses, and other current assets	1,522	1,662
Total current assets	79,153	52,836
Property and equipment — Net	354	342
Other assets	610	215
Total	$ 80,117	$ 53,393
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of loan payable	$ 4,031	$ 3,124
Accounts payable	2,158	1,255
Accrued expenses	4,402	3,648
Other liabilities	17	34
Total current liabilities	10,608	8,061
Long-term liabilities:		
Loan payable — net of current portion	10,530	—
Non-current accrued interest	336	—
Other	—	7
Total long-term liabilities	10,866	7
Commitments		
Stockholders' equity:		
Preferred stock, $0.01 par value; 5,000,000 shares authorized, no shares issued or outstanding	—	—
Common stock, $0.0001 par value; 120,000,000 shares authorized, 27,346,780 and 20,125,049 shares issued and outstanding at September 30, 2015 and December 31, 2014, respectively	3	2
Additional paid-in capital	209,307	167,104
Accumulated deficit	(150,667)	(121,781)
Total stockholders' equity	58,643	45,325
Total	$ 80,117	$ 53,393

See notes to unaudited condensed consolidated financial statements.

CERULEAN PHARMA INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(in thousands except per share and share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Revenue	$ —	$ -	$ —	$ 80
Operating expenses:				
Research and development	7,092	2,928	18,791	7,071
General and administrative	2,954	2,441	8,352	5,980
Total operating expenses	10,046	5,369	27,143	13,051
Other income (expense):				
Interest income	4	2	8	5
Interest expense	(509)	(191)	(1,751)	(920)
Loss on extinguishment of debt	—	—	—	(2,493)
Decrease in value of preferred stock warrant liability	—	—	—	504
Total other (expense) income — net	(505)	(189)	(1,743)	(2,904)
Net loss attributable to common stockholders	$ (10,551)	$ (5,558)	$ (28,886)	$ (15,875)
Net loss per share attributable to common stockholders:				
Basic and diluted	$ (0.39)	$ (0.28)	$ (1.17)	$ (1.26)
Weighted-average common shares outstanding:				
Basic and diluted	27,307,103	20,124,574	24,785,833	12,598,425

See notes to unaudited condensed consolidated financial statements.

CERULEAN PHARMA INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(in thousands)

	Nine Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net loss	$ (28,886)	$ (15,875)
Adjustments to reconcile net loss to net cash used in operating activities:		
Stock-based compensation	1,731	628
Noncash rent expense	(24)	33
Change in carrying value of preferred stock warrant liability	—	(504)
Depreciation and amortization	129	93
Gain on disposal of property and equipment	—	(30)
Loss on extinguishment of debt	—	2,493
Noncash interest expense	1,020	329
Changes in operating assets and liabilities:		
Accounts receivable, prepaid expenses and other current assets	185	(963)
Accounts payable	904	547
Accrued expenses	1,236	(204)
Net cash used in operating activities	(23,705)	(13,453)
Cash flows from investing activities:		
Purchases of property and equipment	(141)	(116)
Proceeds from sale of property and equipment	—	40
Increase in restricted cash	(230)	—
Net cash used in provided by investing activities	(371)	(76)
Cash flows from financing activities:		
Proceeds from sale of common stock	2,628	140
Proceeds from issuance of loans payable	15,000	—
Proceeds from issuance of convertible promissory notes	—	8,500
Payments on loans payable	(3,921)	(2,486)
Cash paid for debt issuance costs	(359)	(188)
Proceeds from public stock offering, net of issuance costs	37,185	59,861
Net cash provided by financing activities	50,533	65,827
Net increase in cash and cash equivalents	26,457	52,298
Cash and cash equivalents — Beginning of period	51,174	5,488
Cash and cash equivalents — End of period	$ 77,631	$ 57,786
Supplemental disclosures of noncash investing and financing activities:		
Conversion of redeemable convertible preferred stock into common stock	$ —	$ 81,525
Conversion of convertible notes and accrued interest into common stock, net	$ —	$ 20,128
Reclassification of warrants to additional paid in capital	$ —	$ 424
Supplemental cash flow information — Interest paid	$ 723	$ 326

See notes to the unaudited condensed consolidated financial statements.

1. NATURE OF BUSINESS AND OPERATIONS

Nature of Business — Cerulean Pharma Inc. (the "Company") was incorporated on November 28, 2005, as a Delaware corporation and is located in Cambridge, Massachusetts. The Company was formed to develop novel, nanotechnology-based therapeutics in the areas of oncology and other diseases.

Basis of Presentation — The consolidated financial statements include the accounts of the Company and its subsidiary, Cerulean Pharma Australia Pty Ltd, a wholly owned Australian-based proprietary limited company. All intercompany accounts and transactions have been eliminated. The consolidated interim financial statements of the Company included herein have been prepared, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted from this report, as is permitted by such rules and regulations. Accordingly, these condensed consolidated financial statements should be read in conjunction with the Company's audited financial statements as of and for the year ended December 31, 2014, and notes thereto, included in the Company's Annual Report on Form 10-K, which was filed with the Securities and Exchange Commission on March 19, 2015 (the "2015 10-K").

The unaudited condensed consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements. In the opinion of the Company's management, the accompanying unaudited interim consolidated financial statements contain all adjustments that are necessary to present fairly the Company's financial position as of September 30, 2015, the results of its operations for the three and nine months ended September 30, 2015 and 2014, and cash flows for the nine months ended September 30, 2015 and 2014. Such adjustments are of a normal and recurring nature. The results for the three and nine months ended September 30, 2015, are not indicative of the results for the year ending December 31, 2015, or for any future period.

On April 10, 2015, the Company completed the issuance and sale of 6,716,000 shares of common stock in an underwritten public offering at a price to the public of $6.00 per share. The sale of shares of common stock included 876,000 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares of common stock. The net proceeds to the Company from this offering were $37.2 million after deducting underwriting discounts and commissions and offering expenses payable by the Company.

On April 15, 2014, the Company completed the issuance and sale of 8,500,000 shares of its common stock in its initial public offering (the "IPO"), at a price to the public of $7.00 per share. On May 7, 2014, the Company completed the sale of an additional 1,069,715 shares of common stock at a price to the public of $7.00 per share under a partial exercise by the underwriters of their option to purchase additional shares of common stock. The sale of the shares to the public resulted in net proceeds to the Company of $59.9 million after deducting underwriting discounts and commissions and offering expenses payable by the Company.

In connection with the closing of the IPO, all of the Company's outstanding redeemable convertible preferred stock and convertible notes automatically converted into shares of common stock as of April 15, 2014, resulting in the issuance by the Company of an additional 9,728,237 shares of common stock. The significant increases in shares outstanding in April 2015 and April 2014 impacts the year-over-year comparability of the Company's net loss per share calculations.

In connection with the completion of the IPO on April 15, 2014, the Company's outstanding warrants to purchase 1,857,226 shares of the Company's preferred stock automatically converted into warrants to purchase an aggregate of 128,663 shares of the Company's common stock and, as a result, the Company reclassified the warrant liability to additional paid-in capital.

2. SIGNIFICANT ACCOUNTING POLICIES

There have been no material changes to the significant accounting policies previously disclosed in the 2015 10-K.

Recent Accounting Pronouncements – In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, "Interest – Imputation of Interest" ("ASU 2015-03"). To simplify presentation of debt issuance costs, ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for annual and interim reporting periods beginning January 1, 2016, and is not expected to have a material impact on the Company's consolidated financial statements.

3. NET LOSS PER SHARE ATTRIBUTABLE TO COMMON STOCKHOLDERS

The Company computes diluted loss per common share after giving effect to the dilutive effect of stock options, warrants and shares of unvested restricted stock that are outstanding during the period, except where the inclusion of such securities would be antidilutive.

The Company has reported a net loss for all periods presented and, therefore, diluted net loss per common share is the same as basic net loss per common share.

The following potentially dilutive securities that were outstanding prior to the use of the treasury stock method have been excluded from the computation of diluted weighted-average shares outstanding, because the inclusion of such securities would have an antidilutive impact due to the losses reported (in common stock equivalent shares):

	As of September 30,	
	2015	2014
Options to purchase common stock	2,521,772	1,798,264
Warrants to purchase common stock	300,564	128,663

4. ACCRUED EXPENSES

Accrued expenses consist of the following (in thousands):

	As of September 30, 2015	As of December 31, 2014
Accrued clinical trial costs	$ 1,706	$ 848
Accrued contract manufacturing expenses	465	580
Accrued compensation and benefits	1,582	983
Accrued interest	91	574
Other accrued expenses	558	663
Total accrued expenses	$ 4,402	$ 3,648

5. CONVERTIBLE NOTES PAYABLE TO SHAREHOLDERS

In February and March 2014, the Company issued convertible promissory notes in the original principal amount of $6.0 million to existing investors and a convertible promissory note in the original principal amount of $2.5 million to a new investor. All of the notes had a stated interest rate of 7.0%. Outstanding principal and unpaid accrued interest due under the notes were automatically converted into shares of the Company's common stock upon the closing of the IPO at a conversion price equal to 77.5% of the IPO price. The Company recorded a loss on the extinguishment of the notes of $2.5 million in April 2014, equal to the difference between the fair value of the shares into which the notes converted and the carrying amount of the notes upon the closing of the IPO.

6. LOAN AGREEMENTS

On January 8, 2015 (the "Closing Date"), the Company entered into a term loan facility of up to $26.0 million (the "Term Loan") with Hercules Technology Growth Capital, Inc. ("Hercules"). The proceeds were used to repay the Company's existing term loan facility with Lighthouse Capital Partners VI, L.P. ("Lighthouse Capital") and for general corporate and working capital purposes.

The Term Loan is governed by a loan and security agreement, dated January 8, 2015, between the Company and Hercules (the "Hercules Loan Agreement"). The Hercules Loan Agreement provides for up to three separate borrowings, the first of which was funded in the amount of $15.0 million on the Closing Date. The second borrowing of up to $5.0 million may be drawn by the Company, subject to the satisfaction of customary funding conditions, on or prior to December 15, 2015, provided that the Company meets certain clinical milestones. The third borrowing of up to $6.0 million (the "Term C Loan Advance") may be drawn, at no less than $3.0 million per draw and subject to the satisfaction of customary funding conditions, on or after September 30, 2015, but before December 15, 2015, provided that between the Closing Date and December 15, 2015, the Company has received net cash proceeds of

at least $40.0 million from the issuance and sale by the Company of its equity securities and/or upfront cash payments from one or more strategic corporate partnerships.

The Term Loan will mature on July 1, 2018. Each advance under the Term Loan accrues interest at a floating per annum rate equal to the greater of (i) 7.30% or (ii) the sum of 7.30% plus the prime rate minus 5.75%. The Term Loan provides for interest-only payments on a monthly basis until December 31, 2015. The interest-only period may be extended at the Company's option for a three-month period if the Company attains certain clinical milestones, and for an additional three-month period if the Company attains certain clinical milestones and receives net cash proceeds of at least $30.0 million from the issuance and sale by the Company of its equity securities and/or upfront cash payments from one or more strategic corporate partnerships. Thereafter, payments will be payable monthly in equal installments of principal and interest to fully amortize the outstanding principal over the remaining term of the loan, subject to recalculation upon a change in the prime rate. The Company may prepay the Term Loan in whole or in part upon seven business days' prior written notice to Hercules. Any such prepayment of the Term Loan is subject to a prepayment charge of (i) 3.0% if such prepayment occurs within twelve months of the Closing Date, (ii) 2.0% if such prepayment occurs after twelve months following the Closing Date but on or prior to twenty-four months following the Closing Date, and (iii) 1.0% thereafter. Amounts outstanding during an event of default are payable upon Hercules' demand and shall accrue interest at an additional rate of 5.0% per annum of the past due amount outstanding. At the end of the loan term (whether at maturity, by prepayment in full or otherwise), the Company shall pay a final end of term charge to Hercules in the amount of 6.7% of the aggregate original principal amount advanced by Hercules. The amount of the end of term charge is being accrued over the loan term as interest expense.

In connection with the Hercules Loan Agreement, the Company issued to Hercules a warrant to purchase shares of the common stock of the Company at an exercise price of $6.05 per share. The warrant is initially exercisable for 137,521 shares of common stock. On such date (if any) as a Term C Loan Advance is made to the Company, the warrant shall automatically become exercisable for an additional 34,380 shares of common stock. The warrant is exercisable until January 8, 2020. The Company estimated the fair value of the warrant for shares exercisable on the issue date in January 2015 to be $659,000. The value of the warrant was recorded as a discount to the loan and will be amortized to interest expense using the effective interest method over the term of the loan. The fair value of the warrant was estimated on the date of issue for the exercisable shares at that date using the Black-Scholes option-pricing model. The following table shows the Black-Scholes assumptions used to value the warrant:

	January 8, 2015
Contractual life	5 years
Volatility rate	61%
Risk-free interest rate	1.50%
Expected dividends	—

In connection with the Hercules Loan Agreement, the Company entered into a stock purchase agreement with Hercules, whereby Hercules purchased 135,501 shares of common stock from the Company at a price per share of $7.38, which was equal to the closing price of the common stock on the NASDAQ Global Market on January 7, 2015, for an aggregate purchase price of approximately $1.0 million.

In December 2011, the Company entered into a loan and security agreement with Lighthouse Capital to borrow up to $10.0 million in one or more advances by December 31, 2012. In both March 2012 and August 2012, the Company borrowed $5.0 million under the loan and security agreement, for a total of $10.0 million. This amount was being repaid over 36 months beginning on December 1, 2012, at an interest rate of 8.25%. In addition, the Company was required to make an additional payment in the amount of $600,000 at the end of the loan term. The amount was accrued over the loan term as interest expense. The amount accrued as of December 31, 2014 was $574,000, and it was included in accrued expense in the Company's consolidated balance sheet. In January 2015, the Company repaid in full the amount outstanding under the Lighthouse Capital loan, or $3.6 million, with the proceeds from the Hercules Loan Agreement.

In connection with the loan and security agreement with Lighthouse Capital, the Company issued Lighthouse Capital a warrant to purchase a maximum of 66,436 shares of the Company's Series D Preferred Stock, at an exercise price of $12.04 per share and with an expiration date 10 years from the date of issue (December 2021). The Company determined the fair value of the warrant at the end of each reporting period using the Black-Scholes option pricing model until the warrant converted to a warrant to purchase 66,436 shares of common stock upon the completion of the IPO. The value of the warrant was recorded as a discount to the loan and was being amortized as interest expense using the effective interest method over the 36-month repayment term. The unamortized discount relating to the warrants, or $0.2 million, was expensed as interest expense upon repayment of the loan in January 2015.

7. STOCK-BASED COMPENSATION

In March 2014, the Company's board of directors adopted and its stockholders approved the 2014 Stock Incentive Plan (the "2014 Plan") and the 2014 Employee Stock Purchase Plan (the "ESPP"), which became effective upon the closing of the IPO. The

2014 Plan provides for the grant of incentive stock options, nonstatutory stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards.

Stock Options

A summary of stock option activity for employee, director and nonemployee awards under all stock option plans during the nine months ended September 30, 2015 is presented below (Aggregate Intrinsic Value in thousands):

	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding — January 1, 2015	2,126,176	$ 4.97	6.7	$ 2,701
Granted	1,375,562	7.35		
Exercised	(370,230)	4.40		
Forfeited	(609,736)	5.83		
Outstanding — September 30, 2015	2,521,772	$ 6.21	8.7	$ 49
Options expected to vest — September 30, 2015	1,631,896	$ 6.52	9.2	$ -
Options exercisable — September 30, 2015	807,424	$ 5.56	7.6	$ 49

The weighted-average per share grant date fair value of options granted during the nine months ended September 30, 2015 and 2014 was $4.22 and $3.71, respectively.

The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model based on the assumptions noted in the table below. Expected volatility for the Company's common stock was determined based on an average of the historical volatility of a peer-group of similar public companies. The Company has limited option exercise information, and as such, the expected term of the options granted was calculated using the simplified method that represents the average of the contractual term of the option and the weighted-average vesting period of the option. The assumed dividend yield is based upon the Company's expectation of not paying dividends in the foreseeable future. The risk-free rate for periods within the contractual life of the option is based upon the U.S. Treasury yield curve in effect at the time of grant.

The Company has recorded stock-based compensation expense related to the issuance of stock option awards to employees of $773,000 and $272,000, for the three months ended September 30, 2015 and 2014, respectively, and $1.6 million and $591,000 for the nine months ended September 30, 2015 and 2014, respectively. The assumptions used in the Black-Scholes option-pricing model for stock options granted to employees and to directors in respect of board services during the three and nine months ended September 30, 2015 and 2014 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Expected life	6.0-6.1 years	6 years	5.4-6.1 years	6 years
Risk-free interest rate	1.65%-1.71%	1.86%-2.00%	1.45%-2.02%	1.83%-2.00%
Expected volatility	61%	57%-60%	61%-63%	57%-60%
Expected dividend rate	—%	—%	—%	—%

During the nine months ended September 30, 2015, the Company granted nonemployee stock options to consultants for the purchase of 192,000 shares of the Company's common stock. The weighted-average exercise price and the weighted-average fair value of nonemployee stock options granted for the nine months ended September 30, 2015 was $5.28 per share and $2.33 per share, respectively. The fair value of the grants is being expensed over the vesting period of the options on a straight-line basis as the services are being provided. On September 4, 2015, nonemployee stock options to purchase 90,000 shares of the Company's common stock were converted to employee stock options upon the appointment of the Company's Chief Medical Officer who had been serving as a consultant to the Company until his appointment. The exercise price and the fair value of these stock options is $4.71 per share and $2.71 per share, respectively. The Company did not make any nonemployee stock option grants during the nine months ended September 30, 2014.

The Company recorded stock-based compensation expense related to nonemployee awards of $63,000 and $13,000 for the three months ended September 30, 2015 and 2014, respectively, and $135,000 and $37,000 for the nine months ended September 30, 2015 and 2014, respectively. The compensation expense related to nonemployee awards is included in the total stock-based compensation each year and is subject to re-measurement until the options vest. The Black-Scholes assumptions used to estimate fair value for the three and nine months ended September 30, 2015 and 2014 were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
Expected life	10 years	8 years	9.7-10 years	8 years
Risk-free interest rate	2.05%	2.00%-2.53%	2.02%-2.12%	2.05%-2.53%
Expected volatility	59%	56%-62%	60%	56%-62%
Expected dividend rate	—%	—%	—%	—%

Employee Stock Purchase Plan

The ESPP permits eligible employees to enroll in a six-month offering period whereby participants may purchase shares of the Company's common stock, through payroll deductions, at a price equal to 85% of the closing price of the common stock on the first day of the offering period or the last day of the offering period, whichever is lower. Purchase dates under the ESPP occur on or about June 30 and December 31 of each year. The first offering period under the ESPP opened on July 1, 2015. The stock-based compensation expense related to the ESPP for the three and nine months ended September 30, 2015 was $13,000. There was no stock-based compensation related to the ESPP recorded for the three and nine months ended September 30, 2014.

8. FAIR VALUE MEASUREMENTS

The Company's financial instruments consist of cash equivalents, accounts payable, accrued expenses, and debt obligations. The carrying amount of accounts payable and accrued expenses are considered a reasonable estimate of their fair value, due to the short-term maturity of these instruments. The carrying amount of debt is also considered to be a reasonable estimate of its fair value based on the short term nature of the debt and because the debt bears interest at the prevailing market rate for instruments with similar characteristics.

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value are performed in a manner to maximize the use of observable inputs and minimize the use of unobservable inputs.

The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 — Quoted prices in active markets that are accessible at the market date for identical unrestricted assets or liabilities.

Level 2 — Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs for which all significant inputs 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.

A summary of the financial assets and liabilities that are measured on a recurring basis at fair value as of September 30, 2015 and December 31, 2014, is as follows (in thousands):

	Carrying Value	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2015				
Money market funds	$ 77,323	$ —	$ 77,323	$ —
December 31, 2014				
Money market funds	$ 50,541	$ —	$ 50,541	$ —

The Company’s debt obligations are Level 2 measurements in the fair value hierarchy.

The Company’s money market funds have been valued on the basis of valuations provided by third-party pricing services, as derived from such services’ pricing models. Inputs to the models may include, but are not limited to, reported trades, executable bid and asked prices, broker/dealer quotations, prices or yields of securities with similar characteristics, benchmark curves or information pertaining to the issuer, as well as industry and economic events. The pricing services may use a matrix approach, which considers information regarding securities with similar characteristics to determine the valuation for a security. The Company is ultimately responsible for the consolidated financial statements and underlying estimates. Accordingly, the Company assesses the reasonableness of the valuations provided by the third-party pricing services by reviewing actual trade data, broker/dealer quotes and other similar data, which are obtained from quoted market prices or other sources.

No transfers between levels occurred during the periods presented.

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

You should read the following discussion and analysis of our financial condition and results of operations together with our condensed consolidated financial statements and the related notes appearing elsewhere in this Quarterly Report on Form 10-Q. Some of the information contained in this discussion and analysis or set forth elsewhere in this Quarterly Report on Form 10-Q, including information with respect to our plans and strategy for our business and related financing, includes forward-looking statements that involve risks and uncertainties. You should read the "Risk Factors" section of this Quarterly Report on Form 10-Q for a discussion of important factors that could cause actual results to differ materially from the results described in or implied by the forward-looking statements contained in the following discussion and analysis.

Overview

We are a clinical-stage, oncology-focused company applying our proprietary Dynamic Tumor Targeting™ Platform to develop differentiated therapies. This platform utilizes nanoparticle-drug conjugates, or NDCs, which consist of proprietary polymers that are covalently linked to anti-cancer therapeutics, or payloads. We believe these NDCs dynamically target tumors by exploiting the leakiness of immature blood vessels in tumors as an entry portal into tumor tissue, followed by active uptake into tumor cells and the sustained release of the anti-cancer payload inside the tumor cells. We believe that our NDCs are differentiated from other nanoparticle technologies by our linker technology and expertise, which enable preferential delivery of our anti-cancer payloads.

During the quarter ended September 30, 2015, we appointed Adrian Senderowicz, M.D., as Senior Vice President & Chief Medical Officer. Before working for biotechnology and pharmaceutical companies, Dr. Senderowicz held a variety of leadership positions at the U.S. Food and Drug Administration, or the FDA, Division of Oncology Drug Products in the Center for Drug Evaluation and Research and a variety of clinical and research positions with the National Cancer Institute/National Institutes of Health, or NCI.

We reported during the quarter that our lead NDC, CRLX101, achieved the pre-defined, gating criterion for advancement into stage two of an open label, single-arm Phase 2 investigator-sponsored trial, or IST, of CRLX101 in combination with Avastin® in patients with recurrent cisplatin-resistant ovarian, tubal and peritoneal cancer. Eighteen patients were enrolled in stage one of the trial. As of November 12, 2015, nine of 16 patients, or 56%, have achieved at least six months of progression free survival, with two patients still ongoing who have been on the study less than six months. The trial is investigating the rate of PFS at six months using Response Evaluation Criteria in Solid Tumors, or RECIST 1.1, in recurrent cisplatin-resistant ovarian, tubal and peritoneal cancer patients.

In October 2015, we announced completion of enrollment of our company-sponsored randomized, controlled Phase 2 trial of CRLX101 in combination with Avastin, in third- and fourth-line relapsed renal cell carcinoma, or RCC. This Phase 2 trial, or the RCC Trial, compares CRLX101 in combination with Avastin to investigator's choice of standard of care in patients with RCC who have received two or three prior lines of therapy. The trial is sized to show a 2.3 month improvement over an expected 3.5 month median PFS for standard of care with a hazard ratio of 0.6, meaning that the trial is expected to show whether CRLX101 plus Avastin provides a 40% decrease in risk of progression over available third- and fourth-line treatments. The trial is fully enrolled with 115 patients.

We also announced in October 2015 that the first patient was dosed in a company-sponsored Phase 1 trial exploring a dose-intensive schedule for CRLX101 in patients with advanced solid tumor malignancies. The trial is an open-label, dose-escalation study in patients with advanced solid tumor malignancies with up to 18 patients receiving weekly CRLX101 alone, and up to 18 patients receiving weekly CRLX101 in combination with bi-weekly Avastin. The trial will explore safety and tolerability of CRLX101 when administered in a weekly dosing regimen and is designed to determine the maximum tolerated dose for potential indications of CRLX101. Preliminary evidence of anti-tumor activity will also be evaluated.

Our second NDC, CRLX301, is in Phase 1 clinical development. On March 27, 2015, the investigational new drug application, or IND, for CRLX301 in the United States became effective, which enables us to conduct clinical trials for CRLX301 in the United States. The Phase 1 portion of a Phase 1/2a clinical trial for CRLX301 at two cancer centers in Australia has been underway since December 2014 and we have added sites in the U.S. as well.

To date, we have devoted substantially all of our resources to our drug discovery and development efforts, including conducting clinical trials of our product candidates, protecting our intellectual property and the general and administrative support of these operations. We have generated no revenue from product sales. We expect that it will be several years before we commercialize a product candidate, if ever. Through September 30, 2015, we have funded our operations primarily through $84.2 million in proceeds from the sale of shares of our convertible preferred stock in private placements, net proceeds of $59.9 million from sales of shares of our common stock in our initial public offering, or IPO, net proceeds of $37.2 million from the sale of shares of our common stock in April 2015 in an underwritten public offering, $17.3 million in proceeds from our sale of convertible promissory notes, $10.0 million

in proceeds from a loan and security agreement with Lighthouse Capital Partners VI, L.P., or Lighthouse Capital, and $15.0 million in proceeds from a loan and security agreement with Hercules Technology Growth Capital, Inc., or Hercules. We refer to our loan and security agreements with Lighthouse Capital and Hercules as the Lighthouse Loan Agreement and Hercules Loan Agreement, respectively.

We have never been profitable and have incurred significant operating losses since our incorporation. As of September 30, 2015, we had an accumulated deficit of $150.4 million. We incurred net losses of approximately $28.6 million and $15.9 million for the nine months ended September 30, 2015 and 2014, respectively.

We expect to continue to incur significant and increasing expenses and operating losses for the foreseeable future, as we advance our product candidates through preclinical studies and clinical trials, and as we seek regulatory approval for, and eventually commercialize, our product candidates. Our net losses may fluctuate significantly from quarter to quarter and from year to year. We will need to raise additional capital in the future to support our expenses and operating activities.

Financial Operations Overview

Revenue

To date, we have not generated any revenue from product sales and do not expect to generate any revenue from product sales for the next several years, if ever. In the future, we may generate revenue from a combination of product sales, license fees, milestone and research and development payments in connection with strategic partnerships, and royalties resulting from the sales of products developed under licenses of our intellectual property. We expect that any revenue we generate will fluctuate from quarter to quarter as a result of the timing and amount of any such payments. Our ability to generate product revenues will depend on the successful development and eventual commercialization of our product candidates. If we fail to complete the development of our product candidates in a timely manner or to obtain regulatory approval for our product candidates, our ability to generate future revenue and our results of operations and financial position would be materially adversely affected.

To date, our only revenue has consisted of a government tax credit that we received in 2010 and payments in each of the years from 2011 through 2014 from four material transfer agreements and a research agreement.

Research and Development Expenses

Research and development expense consists of costs incurred in connection with the discovery and development of our Dynamic Tumor Targeting Platform and our NDCs. These expenses consist primarily of:

- employee-related expenses, including salaries, benefits and stock-based compensation expense;
- expenses incurred under agreements with contract research organizations, or CROs, investigative sites that conduct our clinical trials and consultants that conduct a portion of our preclinical studies;
- expenses relating to scientific and medical consultants and advisors;
- the cost of acquiring and manufacturing clinical trial materials;
- facilities, depreciation of fixed assets and other allocated expenses, including direct and allocated expenses for rent and maintenance of facilities and equipment;
- lab supplies, reagents, active pharmaceutical ingredients and other direct and indirect costs in support of our preclinical and clinical activities;
- license fees related to in-licensed products and technology; and
- costs associated with non-clinical activities and regulatory approvals.

We expense research and development costs as incurred.

Conducting a significant amount of research and development is central to our business model. Product candidates in late stages of clinical development generally have higher development costs than those in earlier stages of clinical development primarily due to the increased size and duration of late-stage clinical trials. We plan to increase our research and development expenses for the foreseeable future as we continue to support multiple clinical trials of CRLX101 and CRLX301, and advance our earlier-stage research and development projects.

We use our employee and infrastructure resources across multiple research and development programs. We track external research and development expenses and personnel expense on a program-by-program basis and have allocated expenses such as stock-based compensation and indirect laboratory supplies and services to each program based on the personnel resources allocated to each program. Facilities, depreciation and scientific advisory board fees and expenses are not allocated to a program and are considered overhead. Below is a summary of our research and development expenses for the three and nine months ended September 30, 2015 and 2014 (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2015	2014	2015	2014
CRLX101	$ 5,114	$ 1,549	$ 13,486	$ 4,317
CRLX301	1,075	819	2,790	1,343
Dynamic Tumor Targeting platform	565	311	1,500	825
Overhead	338	249	1,015	586
Total research and development expense	$ 7,092	$ 2,928	$ 18,791	$ 7,071

The following summarizes our research and development programs.

CRLX101

Our lead product candidate, CRLX101, is an NDC in Phase 2 clinical development. We are pursuing development of CRLX101 in combination with anti-cancer therapies in multiple ongoing clinical development programs that include company-sponsored trials and ISTs. These trials consist of:

- *Relapsed renal cell carcinoma:*
  - The RCC Trial, which is a Phase 2 randomized, controlled, company-sponsored trial is being conducted comparing CRLX101 administered in combination with Avastin to investigator's choice of standard of care in patients with RCC who have received two or three prior lines of therapy.
  - A Phase 1b/2 single-arm IST of CRLX101 in combination with Avastin.
- *Relapsed ovarian cancer:*
  - A Phase 1b single-arm, company-sponsored trial of CRLX101 in combination with weekly paclitaxel in patients with relapsed ovarian cancer being conducted in collaboration with the GOG Foundation, Inc.
  - A Phase 2 IST of CRLX101 as monotherapy (in one arm) and in combination with Avastin (in a separate arm) in patients with relapsed ovarian, tubal and peritoneal cancer.
- *Neoadjuvant rectal cancer:*
  - A Phase 1b/2 single-arm IST of CRLX101 in combination with chemoradiotherapy in patients with locally advanced rectal cancer.

We are also conducting a company-sponsored Phase 1 trial exploring a dose-intensive schedule for CRLX101 in patients with advanced solid tumor malignancies. The trial will explore safety and tolerability of CRLX101 when administered in a weekly dosing regimen alone and in combination with bi-weekly Avastin. The trial is designed to determine the maximum tolerated dose for potential indications of CRLX101. Preliminary evidence of anti-tumor activity will also be evaluated.

We cannot accurately project future research and development expenses for our CRLX101 program because such expenses are dependent on a number of variables, including, among others, the cost and design of any additional clinical trials, the duration of the regulatory process and the results of any clinical trials.

Under our license agreement with Calando Pharmaceuticals, Inc., or Calando, pursuant to which we obtained rights to CRLX101, or the CRLX101 Agreement, we are obligated to pay milestone payments which could total, in the aggregate, $32.8 million, if we achieve certain development and sales events with CRLX101. In addition, under the CRLX101 Agreement, if we, or one of our affiliates, sell CRLX101 we are required to pay tiered royalty payments ranging from low- to mid-single digits, as a percentage of worldwide net sales, depending on whether there is patent protection for CRLX101 at the time of the sale. In the event we license or sublicense the intellectual property that we purchased or licensed from Calando, we are required to pay Calando a percentage of the income we receive from the licensee or sublicensee to the extent attributable to such license or sublicense, subject to certain exceptions. The percentage of such license income that we are obligated to pay Calando ranges from the low- to mid-double digits depending on the development stage of CRLX101 at the time we first provide or receive draft terms of a license arrangement with the third party that results in a license agreement.

CRLX301

CRLX301 is currently in early stage clinical development, with a Phase 1 trial ongoing. Assuming we are successful in establishing a safe maximum tolerated dose and/or a recommended Phase 2 dose in the Phase 1 trial, we plan to rapidly advance CRLX301 into Phase 2 development in selected solid tumors.

Under our license agreement with Calando pursuant to which we obtained rights to Calando's cyclodextrin system for purposes of conjugating or complexing certain other therapeutic agents to the system, or the Platform Agreement, we paid a $250,000 clinical development milestone to Calando in January 2015 in connection with the initiation of our Phase 1 clinical trial of CRLX301 in December 2014. We are also required to make milestone payments in an aggregate amount of up to $18.0 million to Calando if we achieve certain development and sales events with respect to any cyclodextrin-based, or CDP-based, product. Further, under the Platform Agreement, if we, or one of our affiliates, sell CRLX301, or any CDP-based product, we are required to pay tiered royalty payments ranging from low- to mid-single digits, as a percentage of worldwide net sales, depending on whether there is patent protection at the time of the sale. In the event we license or sublicense the intellectual property that we purchased or licensed from Calando, we are required to pay Calando a percentage of the income we receive from the licensee or sublicensee to the extent attributable to such license or sublicense, subject to certain exceptions. The percentage of such license income that we are obligated to pay Calando is in the low-double digits.

Nanoparticle-Drug Conjugates or NDCs

We expect that the expenses related to our NDCs will continue to increase as we seek to identify additional targets for preclinical research and add personnel to these projects. We cannot accurately predict future research and development expenses for our NDCs because such costs are dependent on a number of variables, including the success of preclinical studies on any such NDC.

The successful development of any of our NDCs is highly uncertain. As such, at this time, we cannot reasonably predict with certainty the duration and costs of the current or future preclinical studies or clinical trials of any of our NDCs or if, when or to what extent we will generate revenues from any commercialization and sale of any of our NDCs that obtain marketing approval. We may never succeed in achieving regulatory approval for any of our NDCs. The duration, costs and timing of development of our NDCs will depend on a variety of factors, including:

- the scope and rate of progress of our ongoing clinical trials;
- a continued acceptable safety profile of any product candidate once approved;
- the scope, progress, timing, results and costs of researching and developing our NDCs and conducting preclinical and clinical trials;
- results from ongoing as well as any future clinical trials;
- significant and changing government regulation in the United States and abroad;
- the costs, timing and outcome of regulatory review or approval of our NDCs in the United States and abroad;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements;
- establishment of arrangements with third party suppliers of raw materials and third party manufacturers of finished drug product;
- our ability to manufacture, market, commercialize and achieve market acceptance for any of our NDCs that we are developing or may develop in the future;
- the emergence of competing technologies and products and other adverse market developments; and
- the cost of preparing, filing and prosecuting patent applications and maintaining, enforcing and defending intellectual property-related claims.

Any change in the outcome of any of these variables with respect to the development of a NDC could mean a significant change in the cost and timing associated with the development of that NDC. For example, if the FDA, or a comparable non-U.S. regulatory authority were to require us to conduct clinical trials beyond those that we currently anticipate will be required for the marketing authorization of a NDC, or if we experience significant delays in enrollment in any of our clinical trials, we could be required to expend significant additional financial resources and time to obtain marketing authorization.

As a result of the uncertainties discussed above, we are unable to determine when, or to what extent, we will generate revenues from the commercialization and sale of any of our NDCs. We anticipate that we will make determinations as to which additional

programs to pursue and how much funding to direct to each program on an ongoing basis in response to the scientific and clinical data with respect to each NDC, as well as our ongoing assessment of the NDCs' commercial potential. We will need to raise additional capital in the future in order to complete the development and commercialization of CRLX101 and CRLX301 and to fund the development of our other NDCs, if any.

General and Administrative Expenses

General and administrative expenses consist principally of salaries and related costs for personnel in our executive, finance, business development, marketing, legal and human resources functions. Other general and administrative expenses include patent filing, patent prosecution, professional fees for legal, insurance, consulting, information technology, auditing and tax services and facility costs not otherwise included in research and development expenses.

We anticipate that our general and administrative expenses will increase in the future for, among others, the following reasons:

- we expect to incur increased general and administrative expenses to support our research and development activities, which we expect to expand as we continue to pursue the development of our NDCs;
- we expect our general and administrative expenses will continue to increase as a result of increased payroll, expanded infrastructure, higher consulting, legal, accounting and investor relations costs, director compensation and director and officer insurance premiums associated with being a public company; and
- we may begin to incur expenses related to sales and marketing of our NDCs in anticipation of commercial launch before we receive regulatory approval of a NDC.

Interest Income

Interest income consists of interest earned on our cash and cash equivalents. The primary objective of our investment policy is capital preservation.

Interest Expense

Interest expense consists primarily of interest, amortization of debt discount and amortization of deferred financing costs associated with the Hercules Loan Agreement. Interest expense also includes the write off of debt discount and deferred financing costs associated with the repayment in 2015 of the debt incurred under the Lighthouse Loan Agreement. In 2014, interest expense consists primarily of interest, amortization of debt discount and amortization of deferred financing costs associated with the Lighthouse Loan Agreement and interest expense on our convertible notes.

Results of Operations

Comparison of Three Months Ended September 30, 2015 and 2014 (Unaudited)

The following table summarizes our consolidated results of operations for the three months ended September 30, 2015 and 2014, together with the changes in those items in dollars and as a percentage (in thousands, except percentages):

	Three Months Ended September 30,		Change	
	2015	2014	Dollar	%
Revenue	$ —	$ —	$ —	—
Operating expenses:				
Research and development	7,092	2,928	4,164	142%
General and administrative	2,954	2,441	513	21%
Loss from operations	(10,046)	(5,369)	(4,677)	87%
Other expense, net	(505)	(189)	(316)	167%
Net loss	$ (10,551)	$ (5,558)	$ (4,993)	90%

Research and development. Research and development expense for the three months ended September 30, 2015, was $7.1 million compared to $2.9 million for the three months ended September 30, 2014, an increase of $4.2 million, or 142%. The increase

was primarily attributable to an increase in costs associated with the CRLX101 program. The following table summarizes our research and development expense by program for the three months ended September 30, 2015 and 2014, together with the change in spending by program in dollars and as a percentage (in thousands, except percentages):

	Three Months Ended September 30,		Change	
	2015	2014	Dollar	%
CRLX101	$ 5,114	$ 1,549	$ 3,565	230%
CRLX301	1,075	819	256	31%
Dynamic Tumor Targeting platform	565	311	254	82%
Overhead	338	249	89	36%
Total research and development expense	$ 7,092	$ 2,928	$ 4,164	142%

For the three months ended September 30, 2015, CRLX101 program expenses increased by $3.6 million, or 230%, to $5.1 million compared to $1.5 million for the three months ended September 30, 2014. The increase in CRLX101 program expenses was primarily attributable to costs associated with our ongoing RCC Trial, which was initiated in mid-2014, together with costs associated with a company-sponsored dose escalation trial initiated during the quarter and ongoing ISTs. Clinical trial expenses increased $1.6 million reflecting an increase in CRO fees, investigator fees and costs associated with clinical sites and laboratories. Salary and benefits expenses increased $0.6 million reflecting increased headcount to support the CRLX101 program and the clinical trials. Chemistry, manufacturing, and controls, or CMC, costs increased $1.0 million reflecting increased activity to support current and future clinical development of CRLX101.

For the three months ended September 30, 2015, CRLX301 program expenses increased $0.3 million, or 31%, to $1.1 million compared to $0.8 million for the three months ended September 30, 2014. The increase in CRLX301 program expense was primarily due to costs associated with the Phase 1 clinical trial that we initiated in December 2014. CRLX301 clinical trial expenses increased by $0.2 million for the three months ended September 30, 2015, compared to the prior year primarily due to CRO and laboratory costs. Salary and benefits expenses increased $0.1 million compared to the prior year reflecting increased headcount to support the CRLX301 program and the clinical trials.

Expenses associated with our Dynamic Tumor Targeting platform were $0.6 million for the three months ended September 30, 2015, an increase of $0.3 million, or 82%, compared to $0.3 million for the three months ended September 30, 2014. The increase was primarily due to increased headcount in new discovery research combined with increases in consulting and lab costs.

General and administrative. General and administrative expense for the three months ended September 30, 2015, was $3.0 million compared to $2.4 million for the three months ended September 30, 2014, an increase of $0.6 million, or 21%. The increase in general and administrative costs was primarily due to the growth in our corporate infrastructure to support a larger public company. Salaries and benefits, including stock-based compensation, increased $0.7 million for the three months ended September 30, 2015, reflecting increases in finance and accounting, legal and corporate communications. Professional and consulting fees decreased $0.3 million for the period compared to the prior year primarily due to lower external legal fees and intellectual property costs. Other general and administrative expenses including facility and office expenses, dues and subscriptions, conferences, and travel increased for the three months ended September 30, 2015, compared to the prior year due to our overall growth.

Other expense, net. Other expense, net for the three months ended September 30, 2015, was $0.5 million compared to $0.2 million for the three months ended September 30, 2014, an increase of $0.3 million, or 167%. The increase in other expense, net, was primarily due to a $0.3 million increase in interest expense to $0.5 million for the three months ended September 30, 2015, compared to $0.2 million for the three months ended September 30, 2014 due to a higher average debt balance for the period.

Comparison of Nine Months Ended September 30, 2015 and 2014 (Unaudited)

The following table summarizes our consolidated results of operations for the nine months ended September 30, 2015 and 2014, together with the changes in those items in dollars and as a percentage (in thousands, except percentages):

	Nine Months Ended September 30,		Change	
	2015	2014	Dollar	%
Revenue	$ —	$ 80	$ (80)	(100)%
Operating expenses:				
Research and development	18,791	7,071	11,720	166%
General and administrative	8,352	5,980	2,372	40%
Loss from operations	(27,143)	(12,971)	(14,172)	109%
Other expense, net	(1,743)	(2,904)	1,161	(40)%
Net loss	$ (28,886)	$ (15,875)	$ (13,011)	82%

Revenue. There was no revenue recorded for the nine months ended September 30, 2015. For the nine months ended September 30, 2014, we recorded revenue of $80,000 from payments we received under two material transfer agreements. Pursuant to the agreements, we received payments in exchange for providing research services utilizing our proprietary technology. Work under the agreements terminated in 2014.

Research and development. Research and development expense for the nine months ended September 30, 2015, was $18.8 million compared to $7.1 million for the nine months ended September 30, 2014, an increase of $11.7 million, or 166%. The increase was primarily attributable to an increase in costs associated with the CRLX101 program. The following table summarizes our research and development expense by program for the nine months ended September 30, 2015 and 2014, together with the change in spending by program in dollars and as a percentage (in thousands, except percentages):

	Nine Months Ended September 30,		Change	
	2015	2014	Dollar	%
CRLX101	$ 13,486	$ 4,317	$ 9,169	212%
CRLX301	2,790	1,343	1,447	108%
Dynamic Tumor Targeting platform	1,500	825	675	82%
Overhead	1,015	586	429	73%
Total research and development expense	$ 18,791	$ 7,071	$ 11,720	166%

For the nine months ended September 30, 2015, CRLX101 program expenses increased by $9.2 million, or 212%, to $13.5 million compared to $4.3 million for the nine months ended September 30, 2014. The increase in CRLX101 program expense was primarily attributable to costs associated with our ongoing RCC Trial, which was initiated in mid-2014, together with costs associated with ongoing ISTs. Clinical trial expenses increased $5.0 million reflecting an increase in CRO fees, investigator fees and costs associated with clinical sites and laboratories. Salary and benefits expenses increased $1.7 million and consulting costs increased $0.3 million compared to the prior year to support the CRLX101 development program and the clinical trials. CMC costs increased $1.8 million compared to the prior year reflecting increased activity to support current and future clinical development of CRLX101.

For the nine months ended September 30, 2015, CRLX301 program expenses increased $1.4 million, or 108%, to $2.8 million compared to $1.3 million for the nine months ended September 30, 2014. The increase in CRLX301 program expenses was primarily due to costs associated with the Phase 1 clinical trial that we initiated in December 2014. CRLX301 clinical trial expenses increased by $0.5 million for the nine months ended September 30, 2015, compared to the prior year primarily due to CRO fees, costs associated with clinical sites and laboratory costs. Salary and benefits expenses increased $0.5 million to support the CRLX301 development program and the clinical trials. CMC and development expenses increased $0.2 million reflecting increased activity to support current and future clinical development.

Expenses associated with our Dynamic Tumor Targeting platform were $1.5 million for the nine months ended September 30, 2015, an increase of $0.7 million, or 82%, compared to $0.8 million for the nine months ended September 30, 2014. The increase is primarily due to increased headcount and lab costs in new discovery research.

General and administrative. General and administrative expense for the nine months ended September 30, 2015, was $8.2 million compared to $6.0 million for the nine months ended September 30, 2014, an increase of $2.2 million, or 38%. The increase in general and administrative costs was attributable to the growth in our corporate infrastructure to support a larger public company. Salaries and benefits, including stock-based compensation, increased $1.5 million for the nine months ended September 30, 2015, compared to the prior year, reflecting increases in finance and accounting, legal and corporate communications. Other general and administrative expenses including facility and office expenses, dues and subscriptions, conferences, and travel increased $0.5 million for the nine months ended September 30, 2015, compared to the prior year due to our overall growth.

Other expense, net. Other expense, net for the nine months ended September 30, 2015, was $1.7 million compared to $2.9 million for the nine months ended September 30, 2014, a decrease of $1.2 million, or 40%. The decrease in other expense, net, was primarily due to a $2.5 million loss on the conversion of our 2014 convertible notes, which was recorded in April 2014. Interest expense was $1.7 million and $0.9 million for the nine months ended September 30, 2015 and 2014, respectively, an increase of $0.8 million, or 90%. For the nine months ended September 30, 2015, interest expense included $1.5 million associated with the Hercules Loan Agreement, including $0.4 million for the amortization of debt discount and deferred financing costs, and $0.2 million for the write off of debt discount and deferred financing costs associated with the repayment of the Lighthouse Loan Agreement. Interest expense for the nine months ended September 30, 2014 included $0.2 million of interest on our convertible notes and $0.3 million of interest and $0.2 million for the amortization of debt discount and deferred financing costs associated with the Lighthouse Loan Agreement. Other expense, net, for the nine months ended September 30, 2014 included a $0.5 million adjustment to the fair value of our outstanding preferred stock warrant liability which was recorded as other income.

Liquidity and Capital Resources

From our incorporation through September 30, 2015, we raised an aggregate of $224.6 million to fund our operations, of which $84.2 million was from the sale of preferred stock, $59.9 million was from the IPO, $37.2 million was from the Secondary Offering, $17.3 million was from the sale of convertible promissory notes, $25.0 million was from borrowings under loan and security agreements and $1.0 million was from the private placement of our common stock to Hercules. As of September 30, 2015, we had cash and cash equivalents of approximately $77.6 million.

Indebtedness

On January 8, 2015, we entered into the Hercules Loan Agreement and borrowed $15.0 million from Hercules. We used a portion of those proceeds to repay our outstanding indebtedness under the Lighthouse Loan Agreement.

The Hercules Loan Agreement provides for up to three separate tranches of borrowings, the first of which was funded in the amount of $15.0 million on January 8, 2015. We may draw the second tranche of up to $5.0 million, subject to the satisfaction of customary funding conditions, on or prior to December 15, 2015, provided that we meet certain clinical milestones specified in the Hercules Loan Agreement. We may draw the third tranche of up to $6.0 million at no less than $3.0 million per draw and subject to the satisfaction of customary funding conditions, on or after September 30, 2015 but before December 15, 2015, provided that between January 8, 2015, and December 15, 2015, we have received net cash proceeds of at least $40.0 million from our issuance and sale of equity securities and/or upfront cash payments from one or more strategic corporate partnerships.

Our indebtedness under the Hercules Loan Agreement will mature on July 1, 2018. Each advance under the Hercules Loan Agreement accrues interest at a floating per annum rate equal to the greater of (i) 7.30% or (ii) the sum of 7.30% plus the prime rate minus 5.75%. The Hercules Loan Agreement provides for interest-only payments on a monthly basis until December 31, 2015. The interest-only period may be extended at our option for a three-month period if we attain certain clinical milestones specified in the Hercules Loan Agreement, and for an additional three-month period if we attain certain clinical milestones and receive net cash proceeds of at least $30.0 million from the issuance and sale of our equity securities and/or upfront cash payments from one or more strategic corporate partnerships. Thereafter, payments will be payable monthly in equal installments of principal and interest to fully amortize the outstanding principal over the remaining term of the loan, subject to recalculation upon a change in the prime rate. We may prepay the indebtedness under the Hercules Loan Agreement in whole or in part upon seven business days' prior written notice to Hercules. Any such prepayment is subject to a prepayment charge of (i) 3.0% if such prepayment occurs on or before January 8, 2016, (ii) 2.0% if such prepayment occurs after January 8, 2016, but on or before January 8, 2017, and (iii) 1.0% if such prepayment occurs after January 8, 2017. Amounts outstanding during an event of default are payable upon Hercules' demand and shall accrue interest at an additional rate of 5.0% per annum of the past due amount outstanding. At the end of the loan term (whether at maturity, by prepayment in full or otherwise), we shall pay a final end of term charge to Hercules in the amount of 6.7% of the aggregate original principal amount advanced by Hercules.

The Hercules Loan Agreement is secured by substantially all of our assets other than our intellectual property. We have also granted Hercules a negative pledge with respect to our intellectual property, which, among other things, prohibits us from selling, transferring, assigning, mortgaging, pledging, leasing, granting a security interest in or otherwise encumbering our intellectual property. The Hercules Loan Agreement includes restrictive covenants that may restrict our ability to obtain further debt or equity financing.

Lighthouse Loan Agreement. In 2011, we entered into the Lighthouse Loan Agreement which permitted us to borrow up to an aggregate principal amount of $10.0 million. We borrowed $5.0 million in March 2012 and an additional $5.0 million in August 2012. Interest accrued under the Lighthouse Loan Agreement at an annual rate of 8.25%. As of December 31, 2014, there was $3.3 million in aggregate principal amount outstanding under the Lighthouse Loan Agreement. We repaid in full our outstanding indebtedness

under the Lighthouse Loan Agreement and terminated the agreement on January 8, 2015. There were no prepayment charges associated with the early repayment of the loan.

Convertible Notes. In 2014, we issued and sold convertible promissory notes in an aggregate principal amount of $8.5 million, to certain of our stockholders and one additional purchaser. The 2014 convertible notes accrued interest at an annual rate of 7.0%. In connection with the completion of our IPO, all principal and accrued interest under our 2014 convertible notes converted into an aggregate of 1,582,931 shares of our common stock, at 77.5% of the IPO price, or $5.43 per share.

Plan of Operations and Future Funding Requirements

Our primary uses of capital are, and we expect will continue to be, compensation and related expenses, clinical trial costs, contract manufacturing services, third-party clinical research and development services, laboratory and related supplies, legal and other regulatory expenses and general overhead costs.

We believe that our cash and cash equivalents as of September 30, 2015, will enable us to fund our operating expenses, debt service and capital expenditure requirements into 2017. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the number and development requirements of the NDCs we pursue;
- the scope, progress, timing, results and costs of researching and developing our NDCs, and conducting preclinical studies and clinical trials;
- the costs, timing and outcome of regulatory review of our NDCs;
- the cost and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our NDCs for which we receive marketing approval;
- the revenue, if any, received from commercial sales of any NDCs for which we receive marketing approval;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements;
- the scope, costs and timing of the manufacture, supply and distribution of our drug candidates for preclinical and clinical trials;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- the extent to which we acquire or in-license other medicines and technology;
- our headcount growth and associated costs; and
- the costs of operating as a public company.

Identifying potential NDCs and conducting preclinical 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 regulatory approval and achieve product sales. In addition, our NDCs, if approved, may not achieve commercial success. 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, debt financings and revenue from collaboration arrangements. To the extent that we raise additional capital through the future sale of equity or debt, the ownership interest of our stockholders will be diluted, and the terms of these securities may include liquidation or other preferences that adversely affect the rights of our existing common stockholders. If we raise additional funds through collaboration arrangements in the future, we may have to relinquish valuable rights to our technologies, future revenue streams or drug candidates or grant licenses on terms that may not be favorable to us. If we are unable to raise additional funds through equity or debt financings when needed, we may be required to delay, limit, reduce or terminate our product development or future commercialization efforts or grant rights to develop and market drug candidates that we would otherwise prefer to develop and market ourselves.

Cash Flows

The following table sets forth the primary sources and uses of cash for each period set forth below (in thousands):

	Nine Months Ended September 30,	
	2015	2014
Net cash used in operating activities	$ (23,705)	$ (13,453)
Net cash used in investing activities	(371)	(76)
Net cash provided by financing activities	50,533	65,827
Net increase in cash and cash equivalents	$ 26,457	$ 52,298

Net Cash Used in Operating Activities

The net use of cash in each period resulted primarily from our net losses adjusted for non-cash charges and changes in components of working capital.

Net cash used in operating activities was $23.7 million for the nine months ended September 30, 2015, compared with $13.5 million for the nine months ended September 30, 2014, an increase of $10.2 million, or 76%. The increase in net cash used in operating activities resulted primarily from an increase in operating expenses of $13.8 million partially offset by an increase in stock compensation expense of $1.1 million and a change in components of working capital of $2.7 million.

Net Cash Used in Investing Activities

Net cash used in investing activities was $0.4 million for the nine months ended September 30, 2015, compared to net cash used in investing activities of $76,000 for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, cash used in investing activities included a $0.2 million increase in restricted cash to collateralize a stand-by letter of credit issued as a security deposit on a new facility lease. Cash used in investing activities for the purchase of lab equipment and employee computers increased $25,000 to $141,000 for the nine months ended September 30, 2015, compared to $116,000 for the nine months ended September 30, 2014. Cash used in investing activities for the nine months ended September 30, 2014, included proceeds for the sale of property and equipment of $40,000.

Net Cash Provided by Financing Activities

Net cash provided by financing activities was $50.5 million for the nine months ended September 30, 2015, compared with $65.8 million for the nine months ended September 30, 2014. Net cash provided by financing activities for the nine months ended September 30, 2015, was primarily due to net proceeds of $37.2 million from our Secondary Offering, proceeds of $15.0 million from our initial borrowing under the Hercules Loan Agreement, proceeds of $1.0 million from the sale of our common stock in a private placement to Hercules and proceeds of $1.6 million from the exercise of stock options. Net cash provided by financing activities for the nine months ended September 30, 2015, was reduced by $3.9 million paid to repay in full the Lighthouse Loan Agreement and cash paid for debt issuance costs of $0.4 million. For the nine months ended September 30, 2014, net cash provided by financing activities was primarily due to net proceeds of $59.9 million from our IPO and proceeds of $8.5 million from the sale of convertible promissory notes. Net cash provided by financing activities for the nine months ended September 30, 2014, was reduced by payments of $2.5 million under the Lighthouse Loan Agreement and cash paid for debt issuance costs of $0.1 million.

Contractual Obligations and Contingent Liabilities

On July 9, 2015, we entered into a lease agreement with AstraZeneca Pharmaceuticals Limited Partnership for approximately 22,992 square feet of laboratory and office space in Waltham, Massachusetts. The lease commences on December 28, 2015, and expires on February 28, 2021, subject to our three-year extension option. During each of the first two years of the term, our annual base rent will be $689,760. Thereafter, the annual base rent will increase annually for the remainder of the term. In addition to the base rent, we are also responsible for our share of the operating expenses, utility costs and real estate taxes. The base rent for the extension term, if any, will be the greater of the fair market rent or the base rent for the lease year immediately preceding the commencement of the extension year.

On January 8, 2015, we borrowed $15.0 million under the Hercules Loan Agreement and used a portion of those proceeds to repay our total outstanding indebtedness of $3.6 million under the Lighthouse Loan Agreement, which has been terminated. Borrowings under the Hercules Loan Agreement bear interest at 7.3%. The Hercules Loan Agreement provides for interest-only payments until December 31, 2015, subject to a potential extension of the interest-only period in accordance with the terms of the

Hercules Loan Agreement. Thereafter, amortization payments will be payable in equal monthly installments of principal and interest to fully amortize the outstanding principal over the remaining term of the loan. At the end of the loan term (whether at maturity, by prepayment in full or otherwise), we will pay a final end of term charge to Hercules in the amount of 6.7% of the aggregate original principal amount advanced by Hercules.

As of September 30, 2015, there were no material changes, outside of the ordinary course of business, in our outstanding contractual obligations from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, other than as described in the preceding paragraphs.

Off-Balance Sheet Arrangements

We did not have during the periods presented, and we do not currently have, any off-balance sheet arrangements, as defined under applicable SEC rules.

Recent Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board issued Accounting Standards Update 2015-03, "Interest – Imputation of Interest", or ASU 2015-03. To simplify presentation of debt issuance costs, ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for annual and interim reporting periods beginning January 1, 2016 and is not expected to have a material impact on our consolidated financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to market risk related to changes in interest rates. As of September 30, 2015, we had cash and cash equivalents, including restricted cash, of approximately $78.0 million, consisting primarily of investments in money market funds and certificates of deposit. Our primary exposure to market risk is interest rate sensitivity, which is affected by changes in the general level of United States interest rates, particularly because our investments are in cash and cash equivalents. Due to the short-term duration of our investment portfolio and the low risk profile of our investments, an immediate 10% change in interest rates would not have a material effect on the fair market value of our investment portfolio. As of September 30, 2015, we were also subject to interest rate risk from our indebtedness under the Hercules Loan Agreement that accrues interest at a floating per annum rate equal to the greater of (i) 7.30% or (ii) the sum of 7.30% plus the prime rate minus 5.75%. A 10% increase in interest rates at September 30, 2015, would not have a material effect on our annual interest expense.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

Our management, under the supervision and with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q. The term "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, means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the company's management, including its principal executive and principal financial officers, as appropriate to allow timely decisions regarding required disclosures.

Management recognizes that any disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving their objectives. Our disclosure controls and procedures have been designed to provide reasonable assurance of achieving their objectives. Based on such evaluation, our principal executive officer and principal financial officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of September 30, 2015.

Changes in Internal Control Over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the nine months ended September 30, 2015, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1A. Risk Factors

Our business is subject to numerous risks. The following important factors, among others, could cause our actual results to differ materially from those expressed in forward-looking statements made by us or on our behalf in this Quarterly Report on Form 10-Q and other filings with the Securities and Exchange Commission, or SEC, press releases, communications with investors and oral statements. Actual future results may differ materially from those anticipated in our forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

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 could be forced to delay, reduce or eliminate our product development programs or commercialization efforts.

We expect our expenses to increase in connection with our ongoing activities, particularly as we advance the clinical development of CRLX101 and CRLX301 and continue research and development and initiate additional clinical trials of, and seek regulatory approval for, these and other future product candidates. In addition, if we obtain regulatory approval for any of our product candidates, we expect to incur significant commercialization expenses related to product manufacturing, marketing, sales and distribution. In particular, the costs that may be required for the manufacture of any product candidate that receives marketing approval may be substantial, and manufacturing our nanoparticle-drug conjugates, or NDCs, for commercial sale will require expensive and specialized facilities, processes and materials. Furthermore, relative to previous years when we operated as a private company, we expect to incur significant additional costs associated with operating as a public company. Accordingly, we will need to obtain substantial additional funding in connection with our continuing operations. If we are unable to raise capital when needed or on attractive terms, we could be forced to delay, reduce or eliminate our research and development programs or any future commercialization efforts.

We plan to use our current cash and cash equivalents to fund our ongoing research and development efforts. We will be required to expend significant funds in order to advance development of CRLX101, CRLX301 and our other potential product candidates. Our existing cash and cash equivalents will not be sufficient to fund all of the efforts that we plan to undertake, such as additional randomized trials of CRLX101 or CRLX301. Accordingly, we will be required to obtain further funding through public or private equity offerings, debt financings, collaborations or licensing arrangements or other sources. Adequate and additional funding may not be available to us on acceptable terms or at all.

On January 8, 2015 we entered into a loan and security agreement, which we refer to as the Hercules Loan Agreement, with Hercules Technology Growth Capital, Inc., or Hercules, and drew the first tranche of $15.0 million under the Hercules Loan Agreement. Although the Hercules Loan Agreement provides for two additional tranches in an aggregate amount of up to $11.0 million that we may borrow if we meet certain clinical and financing milestones, we may fail to meet these conditions and be unable to obtain this funding.

If we elect to obtain any additional debt financing, our ability to do so may be limited by covenants we have made under the Hercules Loan Agreement and our pledge to Hercules of substantially all of our assets, other than our intellectual property, as collateral. We have also granted Hercules a negative pledge with respect to our intellectual property, which, among other things, prohibits us from selling, transferring, assigning, mortgaging, pledging, leasing, granting a security interest in or otherwise encumbering our intellectual property. This negative pledge could further limit our ability to obtain additional debt financing. Our failure to raise capital as and when needed would have a negative impact on our financial condition and our ability to pursue our business strategy.

On April 10, 2015 we closed an underwritten public offering, or the Secondary Offering, of 6,716,000 shares of common stock, including 876,000 shares sold pursuant to the full exercise of the underwriters' option to purchase additional shares, at a public offering price of $6.00 per share. The gross proceeds to us from the Secondary Offering were approximately $40.3 million, before deducting underwriting discounts and commissions and offering expenses payable by us.

We believe that our cash and cash equivalents as of September 30, 2015 will enable us to fund our operating expenses, debt service and capital expenditure requirements into 2017. We have based this estimate on assumptions that may prove to be wrong, and we could use our capital resources sooner than we currently expect. Our future capital requirements will depend on many factors, including:

- the number and development requirements of the product candidates we pursue;

- the scope, progress, timing, results and costs of researching and developing our product candidates, and conducting preclinical and clinical trials;
- the costs, timing and outcome of regulatory review of our product candidates;
- the cost and timing of future commercialization activities, including product manufacturing, marketing, sales and distribution, for any of our product candidates for which we receive marketing approval;
- the revenue, if any, received from commercial sales of any product candidates for which we receive marketing approval;
- our ability to establish and maintain strategic partnerships, licensing or other arrangements and the financial terms of such agreements;
- the costs and timing of preparing, filing and prosecuting patent applications, maintaining and enforcing our intellectual property rights and defending any intellectual property-related claims;
- the extent to which we acquire or in-license other medicines and technology;
- our headcount growth and associated costs; and
- the costs of operating as a public company.

Identifying potential product candidates and conducting preclinical 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 regulatory 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 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 public or private equity offerings, debt financings, license and development agreements with collaboration partners or other sources. In addition, we may seek additional capital due to favorable market conditions or strategic considerations, even if we believe we have sufficient funds for our current or future operating plans. To the extent that we raise additional capital through the sale of equity or convertible debt securities, the ownership interest of our stockholders may be materially diluted, and the terms of such securities could include liquidation or other preferences that adversely affect the rights of our existing stockholders. Debt financing and preferred equity financing, if available, may involve agreements that include restrictive covenants that limit our ability to take specified actions, such as incurring additional debt, making capital expenditures or declaring dividends. In addition, additional debt financing would result in increased fixed payment obligations.

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

Our existing and any future indebtedness could adversely affect our ability to operate our business.

On January 8, 2015, we entered into the Hercules Loan Agreement and drew the first tranche of $15.0 million. We used $3.6 million of the proceeds from our draw under the Hercules Loan Agreement to repay in full our outstanding indebtedness under our loan and security agreement with Lighthouse Capital Partners VI, L.P. As of September 30, 2015, we had approximately $16.1 million in outstanding indebtedness under the Hercules Loan Agreement.

Our outstanding indebtedness combined with current and future financial obligations and contractual commitments, including any additional indebtedness beyond our borrowings from Hercules, could have significant adverse consequences, including:

- requiring us to dedicate a portion of our cash resources to the payment of interest and principal, and prepayment and repayment fees and penalties, thereby reducing money available to fund working capital, capital expenditures, product development and other general corporate purposes;
- increasing our vulnerability to adverse changes in general economic, industry and market conditions;

- subjecting us to restrictive covenants that may reduce our ability to take certain corporate actions or obtain further debt or equity financing;
- limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we compete; and
- placing us at a competitive disadvantage compared to our competitors that have less debt or better debt servicing options.

We intend to satisfy our current and future debt service obligations with our existing cash and cash equivalents. Nevertheless, we may not have sufficient funds, and may be unable to arrange for additional financing, to pay the amounts due under our existing debt instruments. Failure to make payments or comply with other covenants under our existing debt instruments could result in an event of default and acceleration of amounts due. If an event of default occurs and Hercules accelerates the amounts due, we may not be able to make accelerated payments, and Hercules could seek to enforce security interests in the collateral securing such indebtedness, which includes substantially all of our assets other than our intellectual property.

We have incurred significant losses since incorporation. We expect to incur losses over the next several years and may never achieve or maintain profitability.

Since incorporation, we have incurred significant operating losses. As of September 30, 2015, we had an accumulated deficit of $150.7 million. We do not know whether or when we will become profitable. We have not generated any revenues to date from product sales and have financed our operations primarily through public offerings of our common stock, private placements of our preferred stock, convertible debt financings and secured debt financings. We have not completed development of any product candidate and have devoted substantially all of our financial resources and efforts to research and development, including preclinical studies and clinical trials. We expect to continue to incur significant expenses and operating losses over the next several years. Our net losses may fluctuate significantly from quarter to quarter and year to year. Net losses and negative cash flows have had, and will continue to have, an adverse effect on our stockholders deficit and working capital. We anticipate that our expenses will increase substantially if and as we:

- initiate and continue company-sponsored clinical trials of CRLX101, our most advanced product candidate, including single-arm trials and randomized controlled trials, alone or in combination with other agents;
- support ongoing and any new investigator-sponsored clinical trials, or ISTs, of CRLX101;
- continue our Phase 1 clinical trial of CRLX301, our second most advanced product candidate, as well as subsequent studies of CRLX301;
- elect to expand, amend or redesign any current trial of CRLX101 or CRLX301;
- continue our research and preclinical development of additional product candidates utilizing our Dynamic Tumor Targeting Platform;
- seek regulatory approvals for any product candidates that successfully complete clinical trials;
- in the future, establish a sales, marketing and distribution infrastructure in the United States;
- scale up external manufacturing capabilities to commercialize any products for which we may obtain regulatory approval;
- maintain, expand and protect our intellectual property portfolio;
- add equipment and physical infrastructure to support our research and development; and
- hire additional personnel and/or incur severance costs associated with the termination of employment of any existing personnel.

To become and remain profitable, we must succeed in developing and eventually commercializing products that generate significant revenue. We do not expect to generate significant revenue unless and until we are able to obtain marketing approval for, and successfully commercialize, one or more of our product candidates. This will require us to be successful in a range of challenging activities, including completing preclinical testing and clinical trials of our product candidates, discovering additional product candidates, obtaining regulatory approval for these product candidates, manufacturing, marketing and selling any products for which we may obtain regulatory approval, satisfying any post-marketing requirements and obtaining reimbursement for our products from private insurance or government payors. We are only in the preliminary stages of most of these activities and have not yet commenced other of these activities. We may never succeed in these activities and, even if we do, may never generate revenues that are significant enough to achieve profitability.

Because of the numerous risks and uncertainties associated with pharmaceutical product development, we are unable to accurately predict the timing or amount of increased expenses or when, or if, we will be able to achieve profitability. If we are required by the United States Food and Drug Administration, or FDA, or the European Medicines Agency, or EMA, to perform studies in addition to those currently expected, or if there are any delays in completing our clinical trials or the development of any of our product candidates, our expenses could increase.

Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would depress the value of our company and could impair our ability to raise capital, expand our business, maintain our research and development efforts, diversify our product offerings or even continue our operations. A decline in the value of our company could cause our stockholders to lose all or part of their investment.

Given our planned expenditures for the next several years, including, without limitation, expenditures in connection with our clinical trials of CRLX101 and CRLX301, our independent registered public accounting firm may conclude that there is substantial doubt regarding our ability to continue as a going concern.

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

Our operations to date have been limited to organizing and staffing our company, developing and securing our technology, raising capital and undertaking preclinical studies and clinical trials of our product candidates. We have not yet demonstrated the ability to successfully complete development of any product candidates, 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. Consequently, any predictions about our future success or viability may not be as accurate as they could be if we had a longer operating history or a history of successfully developing and commercializing pharmaceutical products.

Assuming we obtain marketing approval for any of our product candidates, we will need to transition from a company with a research and development focus to a company capable of supporting commercial activities. We may encounter unforeseen expenses, difficulties, complications and delays and may not be successful in such a transition.

Risks Related to the Discovery, Development and Commercialization of Our Product Candidates

Our approach to the discovery and development of product candidates based on our Dynamic Tumor Targeting Platform is unproven, and we do not know whether we will be able to develop any products of commercial value.

We are focused on applying our proprietary Dynamic Tumor Targeting Platform to develop drugs that address serious unmet medical needs. We believe that our Dynamic Tumor Targeting Platform has the potential to create drugs that may have significant utility in several cancer indications, particularly in combination with other cancer therapies. While the results of preclinical studies and early-stage clinical trials have suggested that certain of our product candidates may have such utility, we have not yet succeeded and may not succeed in demonstrating efficacy and safety for any of our product candidates in later stage clinical trials or in obtaining marketing approval thereafter. For example, we have not yet advanced a compound beyond Phase 2 clinical development. Moreover, the only compound for which we have completed a Phase 2 clinical trial, CRLX101 for the potential treatment of patients with advanced non-small cell lung cancer, or NSCLC, who had progressed through one or two prior regimens of chemotherapy, failed to meet its primary endpoint of improvement in overall survival.

In addition, we have never had a product candidate receive approval or clearance from the FDA or a non-U.S. regulatory authority. While the FDA has approved nanoparticles such as Doxil® (doxorubicin hydrochloride liposome injection) and Abraxane® (nab-paclitaxel), to our knowledge, the FDA has not yet approved a polymeric nanoparticle such as our NDCs, which are a new way of targeting tumors. The regulatory review process for novel product candidates, such as ours, can be more expensive and take longer than for product candidates based on more well-known or extensively studied technologies due to regulatory authorities' lack of experience with them. As a result, we may be required to conduct additional studies and/or trials beyond those we anticipate and it may take us longer to develop and/or obtain regulatory approval for our existing and any future product candidates than we expect.

We are particularly dependent on the success of our lead product candidate, CRLX101, and our ability to develop, obtain marketing approval for and successfully commercialize CRLX101. If we are unable to develop, obtain marketing approval for or successfully commercialize CRLX101, either alone or through a collaboration, or experience significant delays in doing so, our business could be materially harmed.

We currently have no products approved for sale and have invested a significant portion of our efforts and financial resources in the development of CRLX101 for the treatment of patients with inadequately treated forms of cancer. Our prospects are substantially dependent on our ability to develop, obtain marketing approval for and successfully commercialize CRLX101. The success of

CRLX101 will depend, among other things, on our ability to successfully complete clinical trials of CRLX101. The clinical trial process is uncertain, and failure of one or more clinical trials can occur at any stage of testing. For example, in 2011, we initiated an open-label, randomized Phase 2 clinical trial of CRLX101 as monotherapy in patients with advanced NSCLC who had progressed through one or two prior regimens of chemotherapy. In this Phase 2 clinical trial, CRLX101 failed to meet its primary endpoint of improvement in overall survival of the CRLX101-treated group as compared to the control arm of the study, which was best supportive care.

In addition to the successful completion of clinical trials, the success of CRLX101 will also depend on several other factors, including the following:

- receipt of marketing approvals from the FDA or other applicable regulatory authorities;
- the performance of our future collaborators for CRLX101, if any;
- the extent of any required post-marketing approval commitments to applicable regulatory authorities;
- establishment and management of supply arrangements with third party raw materials suppliers and manufacturers;
- establishment and management of supply arrangements for the delivery of our product candidates in the United States and internationally;
- establishment and coordination of supply arrangements for the delivery of combination agents and/or standard of care drugs internationally, depending on the jurisdiction;
- obtaining and maintaining patent, trade secret protection and regulatory exclusivity, both in the United States and internationally;
- protection of our rights in our intellectual property portfolio;
- launch of commercial sales if and when approved;
- a continued acceptable safety profile of CRLX101 following any marketing approval;
- commercial acceptance, if and when approved, by patients, the medical community and third party payors;
- establishment of arrangements with third party manufacturers to obtain finished drug products that are appropriately packaged for sale;
- establishing and maintaining pricing sufficient to realize a meaningful return on our investment; and
- competition with other therapies.

If we are unable to develop, receive marketing approval for, or successfully commercialize CRLX101, or experience delays as a result of any of these factors or otherwise, our business could be materially harmed.

If we experience delays or difficulties in the enrollment of patients in clinical trials, we may not achieve our clinical development on our anticipated timeline, or at all, and our receipt of necessary regulatory approvals could be delayed or prevented.

We may not be able to initiate or continue clinical trials for CRLX101 or any of our other product candidates if we are unable to locate and enroll a sufficient number of eligible patients to participate in clinical trials. Patient enrollment is a significant factor in the timing of clinical trials, and is affected by many factors, including:

- the size and nature of the patient population;
- the severity of the disease under investigation;
- unexpected or serious adverse events that occur in the trials;
- the proximity of patients to sites;
- the eligibility criteria for the trial;
- the design of the trial;
- efforts to facilitate timely enrollment;
- investigators’ engagement with, or enthusiasm about, the trial;

- complexity of initiating or expanding trials with sites outside the United States;
- competing trials; and
- clinicians' and patients' perceptions as to the potential advantages and risks of the drug being studied in relation to other available therapies, including any new drugs that may be approved for the indications we are investigating.

Our inability to enroll a sufficient number of patients for our clinical trials could result in significant delays or may require us to abandon one or more clinical trials altogether. Enrollment delays in our clinical trials may result in increased development costs for our product candidates, delay or halt the development of and approval processes for our product candidates and jeopardize our ability to achieve our clinical development timeline and goals, including the dates by which we will commence, complete and receive results from clinical trials. Enrollment delays may also delay or jeopardize our ability to commence sales and generate revenues from our product candidates. Any of the foregoing could cause the value of our company to decline and limit our ability to obtain additional financing, if needed.

We are currently pursuing the clinical development of CRLX101 in combinations with Avastin in relapsed renal cell carcinoma and relapsed ovarian cancer, with paclitaxel in relapsed ovarian cancer, and with capecitabine and radiotherapy in locally advanced rectal cancer and may focus on additional combinations in the future. If the FDA revokes its approval of, or if safety, efficacy, manufacturing or supply issues arise with, Avastin or any other therapeutic that we use in combination with CRLX101 in the future, we may be unable to market CRLX101 or may experience significant regulatory delays or supply shortages, and our business could be materially harmed.

There are ongoing ISTs evaluating CRLX101 (1) in combination with Avastin in patients with renal cell carcinoma, or RCC, that has relapsed, (2) in combination with Avastin in patients with relapsed ovarian cancer and (3) in combination with capecitabine and radiotherapy in patients with locally advanced rectal cancer. We also initiated a company-sponsored Phase 1b trial with the GOG Foundation, Inc. in which we will evaluate the combination of CRLX101 with weekly paclitaxel in patients with relapsed ovarian cancer. In addition, we commenced the RCC Trial, which is a company-sponsored Phase 2 trial, and we expect to commence additional company-sponsored trials of CRLX101 in the future. Most recently, we initiated a company-sponsored Phase 1 trial to explore a dose-intensive schedule with CRLX101. Avastin and paclitaxel are currently approved to treat various cancers, and the combination of capecitabine and radiotherapy is currently the standard of care in locally advanced rectal cancer in the United States. However, we did not develop or obtain regulatory approval for, and we do not manufacture or sell, Avastin, capecitabine or paclitaxel. We may also seek to develop our product candidates in combination with other therapeutics in the future.

If the FDA revokes its approval of Avastin,, we will not be able to market CRLX101 in combination with such revoked therapeutic. If safety or efficacy issues arise with Avastin, capecitabine or paclitaxel or any other therapeutics that we seek to combine with our product candidates in the future, we may experience significant regulatory delays, and the FDA may require us to redesign or terminate the applicable clinical trials. Moreover, if Avastin, capecitabine or paclitaxel were to receive regulatory approval in combination with a different therapeutic in any indication for which we are pursuing approval, such approval could impact the feasibility and design of any subsequent clinical trials that we may seek to conduct evaluating CRLX101 in combination with Avastin, capecitabine or paclitaxel, as applicable. If capecitabine and radiotherapy is replaced as the standard of care for treatment of locally advanced rectal cancer, the results, if any, of the ongoing IST in locally advanced rectal cancer may be less meaningful, and the FDA may require us to conduct additional clinical trials of CRLX101 prior to any regulatory approval in this indication. In addition, if manufacturing, cost or other issues result in a supply shortage of Avastin, capecitabine, paclitaxel or any other combination therapeutics, we may not be able to complete clinical development of CRLX101 on our current timeline or at all.

Even if CRLX101 were to receive regulatory approval and be commercialized for use in combination with Avastin, capecitabine, paclitaxel or another therapeutic, we would continue to be subject to the risk that the FDA could revoke its approval of Avastin, that safety, efficacy, manufacturing, cost or supply issues could arise with one of these therapeutic agents, or that capecitabine and radiotherapy may be replaced as the standard of care in patients with locally advanced rectal cancer. This could result in CRLX101 being removed from the market or being less successful commercially.

On November 19, 2014, the FDA approved Genentech, Inc.'s supplemental Biologics License Application for Avastin plus chemotherapy for the treatment of women with recurrent platinum-resistant ovarian cancer. This approval appears to be altering the commercial landscape of late-stage ovarian cancer drug development. Based on the data generated by the IST of CRLX101 plus Avastin and our clinical trial with the GOG Foundation, Inc. of CRLX101 plus weekly paclitaxel, in each case in patients with relapsed ovarian cancer, we will further evaluate the regulatory requirements and the commercial opportunity for CRLX101 in relapsed ovarian cancer. It is possible that we will determine that the threshold for regulatory approval is too high or that the commercial opportunity is too narrow and, for either reason, we might abandon our efforts to develop CRLX101 in relapsed ovarian cancer.

If our hypothesis regarding the role of hypoxia inducible factor, or HIF, in cancer cells proves incorrect, it may adversely affect our ability to commercialize and market CRLX101.

We believe that the anti-cancer activity shown by CRLX101 in preclinical tumor models is due in part to its inhibition of HIF, and we have prioritized the clinical development of CRLX101, among other criteria, on HIF-driven tumor types. We have shown preclinically that CRLX101 inhibits both HIF-1α and HIF-2α. While HIF-1α has become a target of increasing interest in cancer research and recent research suggests that HIF-1α is a master regulator for many cancer cell survival pathways, the science underlying HIF-1α is based on recent discoveries and not fully understood. Moreover, the exact role of HIF-2α is less well described and understood. If our hypothesis with respect to the role of HIF in cancer cells proves incorrect, CRLX101 may not have the same level of therapeutic benefit as it might otherwise have, and in that case we may be unable to receive marketing approval for, or successfully commercialize, CRLX101, and our business could be materially harmed.

Clinical drug development involves a lengthy and expensive process with an uncertain outcome. We may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of our product candidates.

Two of our product candidates are in clinical development, all of our other potential product candidates are in preclinical development, and the risk of failure of all of our product candidates is high. It is impossible to predict when or if any of our product candidates will prove effective or safe in humans or will receive regulatory approval. Before obtaining marketing approval from regulatory authorities for the sale of any product candidate, we must complete preclinical development and then conduct extensive clinical trials to demonstrate the safety and efficacy of our product candidates in humans. Clinical testing is expensive, difficult to design and implement, can take many years to complete and is uncertain as to outcome. A failure of one or more clinical trials can occur at any stage of testing. The clinical development of our product candidates is susceptible to the risk of failure inherent at any stage of drug development, including failure to have a sufficient quantity of our product candidate available when needed, failure to demonstrate efficacy in a clinical trial or across a broad population of patients, the occurrence of severe or medically or commercially unacceptable adverse events, failure to comply with protocols or applicable regulatory requirements and determination by the FDA or any comparable non-U.S. regulatory authority that a drug product is not approvable. It is possible that even if one or more of our product candidates has a beneficial effect, that effect will not be detected during clinical evaluation as a result of one or more of a variety of factors, including the size, duration, dose, dosing schedule, design, measurements, conduct or analysis of our clinical trials. Conversely, as a result of the same factors, our clinical trials may indicate an apparent positive effect of a product candidate that is greater than the actual positive effect, if any. Similarly, in our clinical trials, we may fail to detect toxicity or intolerability caused by our product candidates, or mistakenly believe that our product candidates are toxic or not well tolerated when that is not in fact the case.

The outcome of preclinical studies and early clinical trials may not be predictive of the success of later clinical trials, and interim results of a clinical trial do not necessarily predict final results. For example, although a Phase 1/2a clinical trial of CRLX101 supported advancement of CRLX101 as monotherapy into Phase 2 clinical trials for patients with advanced NSCLC who had progressed through one or two prior regimens of chemotherapy, CRLX101 failed to meet its primary endpoint of improvement in overall survival of patients in this indication. Many companies in the pharmaceutical and biotechnology industries have suffered significant setbacks in late-stage clinical trials after achieving positive results in earlier development, and we cannot be certain that we will not face additional setbacks. Moreover, there are currently multiple open-label ISTs of CRLX101 ongoing, including: a Phase 1b/2 open-label IST of CRLX101 in combination with Avastin in patients with relapsed RCC; a Phase 2 open-label IST in patients with relapsed ovarian cancer, consisting of a single-arm trial of CRLX101 as monotherapy and a single-arm combination trial of CRLX101 and Avastin; and a Phase 1b/2 open-label IST of CRLX101 in combination with chemoradiotherapy in patients with locally advanced rectal cancer. Interim investigator-reported data from subsets of the total patient populations in certain of these ISTs have been reported. These ISTs are still in progress and final results are not yet available. The preliminary results reported from the ISTs have in some cases been observed in only a small number of patients and may not be achieved by other patients on these or other clinical trials. There can be no assurance that company-sponsored trials will confirm the data seen in the ISTs.

The design of a clinical trial can determine whether its results will support approval of a product, and flaws in the design of a clinical trial may not become apparent until the clinical trial is well advanced or completed and protocol amendments, if any, to address such flaws may not be sufficiently timely or corrective. We have limited experience in designing clinical trials and may be unable to design and execute a clinical trial to support marketing approval. For example, we believe that a significant increase in pathologic complete response is a clinically meaningful endpoint for the treatment of locally advanced rectal cancer, but there can be no assurance that the FDA will agree. Moreover, no drug has yet been approved in this setting. In addition, preclinical and clinical data are often susceptible to varying interpretations and analyses. Many companies that believed their product candidates performed satisfactorily in preclinical studies and clinical trials have nonetheless failed to obtain marketing approval for the product candidates. Even if we believe that the results of clinical trials for our product candidates warrant marketing approval, the FDA or comparable non-U.S. regulatory authorities may disagree and may not grant marketing approval of our product candidates.

In some instances, there can be significant variability in safety or efficacy results between different clinical trials of the same product candidate due to numerous factors, including changes in trial procedures set forth in protocols, differences in the size, type and disease progression of the patient populations, changes in and adherence to the clinical trial protocols, variability in the quality of clinical supply batches and the rate of dropout among clinical trial participants. Any Phase 2, Phase 3 or other clinical trials that we may conduct may not demonstrate the efficacy and safety necessary to obtain regulatory approval to market our product candidates.

If we experience any of a number of possible unforeseen events in connection with clinical trials of our product candidates, potential marketing approval or commercialization of our product candidates could be delayed or prevented.

We may experience numerous unforeseen events during, or as a result of, clinical trials that could delay or prevent marketing approval of our product candidates, including:

- clinical trials of our product candidates may produce unfavorable, incomplete or inconclusive results, such as with our Phase 2 clinical trial of CRLX101 as monotherapy for patients with advanced NSCLC who had progressed through one or two prior regimens of chemotherapy;
- we may decide, or regulators may require us, to conduct additional clinical trials or abandon product development programs;
- we may decide to change a dosing schedule for any given clinical trial based on relevant data;
- the number of patients required for clinical trials of our product candidates may be larger than we anticipate, patient 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;
- our supply of product candidates may be insufficient to complete our clinical trials as planned due to a batch failure, lack of funds, planning errors or other reasons;
- our third party contractors, including those manufacturing our product candidates or components or ingredients thereof or conducting clinical trials on our behalf, may fail to comply with regulatory requirements or meet their contractual obligations to us in a timely manner or at all;
- regulators or institutional review boards may not authorize us or our investigators to commence a clinical trial or conduct a clinical trial at a prospective trial site;
- investigators may deviate from the trial protocol, fail to conduct the trial in accordance with regulatory requirements or misreport study data;
- we may experience delays in reaching or fail to reach agreement on acceptable clinical trial contracts or clinical trial protocols with prospective trial sites;
- prospective clinical trial sites may be unwilling to participate in one or more of our combination clinical trials due to a perceived difficulty in obtaining reimbursement from managed care plans, government, or other third party payors;
- patients who enroll in a clinical trial, or the investigators enrolling such patients, may misrepresent the patients' eligibility to participate in the trial or may otherwise not comply with the clinical trial protocol, resulting in the need to drop the patients from the clinical trial, increase the enrollment size for the clinical trial or extend the clinical trial's duration;
- for any given trial we may find it necessary to open more clinical trial sites than originally planned;
- we may have to suspend or terminate one or more clinical trials of our product candidates for various reasons, including unfavorable, incomplete or inconclusive data, a determination that the path to commercialization is too difficult or uncertain, changes in the competitive or regulatory landscape, a finding that the participants are being exposed to unacceptable health risks, unexpected or serious adverse events or other unexpected characteristics of a product candidate;
- regulators or institutional review boards may require that we or our investigators suspend or terminate clinical research for various reasons, including noncompliance with regulatory requirements or their respective standards of conduct, a finding that the participants are being exposed to unacceptable health risks, unexpected or serious adverse events or other unexpected characteristics of the product candidate or other therapeutic agents used in our clinical trials or findings of undesirable effects caused by a chemically or mechanistically similar drug or drug candidate;
- the FDA or comparable non-U.S. regulatory authorities may disagree with our clinical trial design or our interpretation of data from preclinical studies and clinical trials, or may change the requirements for approval even after it has reviewed and commented on the design of our clinical trials;

- the FDA or comparable non-U.S. regulatory authorities may fail to approve or subsequently find fault with the manufacturing processes or facilities of third party manufacturers with which we enter into agreements for clinical and commercial supplies;
- the supply or quality of raw materials or manufactured product candidates or drugs (whether provided by us or third parties) or other materials necessary to conduct clinical trials of our product candidates may be insufficient, inadequate or not available at an acceptable cost, or we may experience interruptions in supply; and
- the approval policies or regulations of the FDA or comparable non-U.S. regulatory authorities may significantly change in a manner rendering our clinical data insufficient to obtain marketing approval.

Product development costs for us will increase if we experience delays in testing or pursuing marketing approvals and we may be required to obtain additional funds to complete clinical trials and prepare for possible commercialization of our product candidates. We do not know whether any preclinical tests or clinical trials will begin as planned, will need to be restructured or will be completed on schedule, or at all. Significant preclinical 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. In addition, many of the factors that cause, or lead to, clinical trial delays may ultimately lead to the denial of marketing approval of any of our product candidates.

We have conducted and intend to conduct additional clinical trials for certain of our product candidates at sites outside the United States, and the FDA may not accept data from trials conducted in such locations.

We have conducted, currently are conducting and intend in the future to conduct, clinical trials outside the United States. Opening trial sites outside the United States may involve additional regulatory, administrative and financial burdens, including compliance with foreign and local requirements relating to regulatory submission and clinical trial practices. For example, in late 2014, we commenced in Australia the Phase 1 portion of a Phase 1/2a clinical trial of CRLX301 in patients with advanced solid tumor malignancies. In addition, in the first half of 2015 we expanded the RCC Trial to South Korea where we opened five additional clinical sites. While the investigational new drug application, or IND, in the United States for CRLX301 became effective on March 27, 2015, enabling us to conduct clinical trials for CRLX301 in the U.S., we also expect to continue to conduct clinical trials of CRLX301 at sites outside the U.S.

Although the FDA may accept data from clinical trials conducted outside the United States, acceptance of this data is subject to certain conditions imposed by the FDA. For example, the clinical trial must be well designed and conducted and performed by qualified investigators in accordance with good clinical practices, including review and approval by an independent ethics committee and informed consent from trial patients. The trial population must also adequately represent the U.S. population, and the data must be applicable to the U.S. population and U.S. medical practice in ways that the FDA deems clinically meaningful. Generally, the patient population for any clinical trials conducted outside the United States must be representative of the population for which we intend to seek approval in the United States. In addition, while these clinical trials are subject to the applicable local laws, FDA acceptance of the data will be dependent upon its determination that the trials also complied with all applicable U.S. laws and regulations. Nonetheless, there can be no assurance that the FDA will accept data from trials conducted outside the United States. If the FDA does not accept the data from our Phase 1/2a clinical trial of CRLX301 in Australia, for example, or any other trial that we conduct outside the United States, it would likely result in the need for additional clinical trials, which would be costly and time-consuming and delay or permanently halt our development of CRLX101, CRLX301 or any future product candidates.

In addition, the conduct of clinical trials outside the United States could have a significant impact on us. Risks inherent in conducting international clinical trials include:

- foreign regulatory requirements that could burden or limit our ability to conduct our clinical trials;
- increased costs and heightened supply constraints associated with the acquisition of standard of care drugs and/or combination or comparator agents for which we may bear responsibility in certain jurisdictions;
- administrative burdens of conducting clinical trials under multiple foreign regulatory schema;
- foreign exchange fluctuations;
- more burdensome manufacturing, customs, shipment and storage requirements;
- cultural differences in medical practice and clinical research;
- lack of consistency in standard of care from country to country; and
- diminished protection of intellectual property in some countries.

If clinical trials of our product candidates fail to demonstrate safety and efficacy to the satisfaction of the FDA and comparable non-U.S. regulators, we may incur additional costs or experience delays in completing, or ultimately be unable to complete, the development and commercialization of these product candidates.

We are not permitted to commercialize, market, promote or sell any product candidate in the United States without obtaining marketing approval from the FDA. Comparable non-U.S. regulatory authorities, such as the EMA, impose similar restrictions. We may never receive such approvals. We must complete extensive preclinical development and clinical trials to demonstrate the safety and efficacy of our product candidates in humans before we will be able to obtain these approvals.

Clinical testing is expensive, difficult to design and implement, can take many years to complete and is inherently uncertain as to outcome. We have not previously submitted a new drug application, or an NDA, to the FDA or similar drug approval filings to comparable non-U.S. regulatory authorities for any of our product candidates.

Any inability to successfully complete preclinical and clinical development could result in additional costs to us and impair our ability to generate revenues from product sales, regulatory and commercialization milestones and royalties. In addition, if (1) we are required to conduct additional clinical trials or other testing of our product candidates beyond the trials and testing that we contemplate, (2) we are unable to successfully complete clinical trials of our product candidates or other testing, (3) the results of these trials or tests are unfavorable, uncertain or are only modestly favorable, or (4) there are unacceptable safety concerns associated with our product candidates, we, in addition to incurring additional costs, 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 we intended or desired;
- obtain approval with labeling that includes significant use or distribution restrictions or significant safety warnings, including boxed warnings;
- be subject to additional post-marketing testing or other requirements; or
- be required to remove the product from the market after obtaining marketing approval.

A fast track designation by the FDA may not actually lead to a faster development or regulatory review or approval process.

On April 27, 2015 we were notified that we received fast track designation for CRLX101 for the treatment of metastatic RCC following progression through two or three prior lines of therapy. We may seek fast track designation for other indications or other product candidates. If a drug is intended for the treatment of a serious or life-threatening condition and the drug demonstrates the potential to address unmet medical needs for this condition, the drug sponsor may apply for FDA fast track designation. The FDA has broad discretion whether or not to grant this designation, so even if we believe a particular product candidate is eligible for this designation, the FDA may still decide not to grant it. Even if we do receive fast track designation, we may not experience a faster development process, review or approval compared to conventional FDA procedures. The FDA may withdraw fast track designation if it believes that the designation is no longer supported by data from our clinical development program.

A breakthrough therapy designation by the FDA for our product candidates may not lead to a faster development or regulatory review or approval process, and it does not increase the likelihood that our product candidates will receive marketing approval.

We may seek a breakthrough therapy designation for some of our product candidates. A breakthrough therapy is defined as a drug that is intended, alone or in combination with one or more other drugs, to treat a serious or life-threatening disease or condition, and preliminary clinical evidence indicates that the drug may demonstrate substantial improvement over existing therapies on one or more clinically significant endpoints, such as substantial treatment effects observed early in clinical development. For drugs and biologics that have been designated as breakthrough therapies, interaction and communication between the FDA and the sponsor of the trial can help to identify the most efficient path for clinical development while minimizing the number of patients placed in ineffective control regimens. Drugs designated as breakthrough therapies by the FDA are also eligible for accelerated approval.

Designation as a breakthrough therapy is within the discretion of the FDA. Accordingly, even if we believe one of our product candidates meets the criteria for designation as a breakthrough therapy, the FDA may disagree and instead determine not to make such designation. In any event, the receipt of a breakthrough therapy designation for a product candidate may not result in a faster development process, review or approval compared to drugs considered for approval under conventional FDA procedures and does not assure ultimate approval by the FDA. In addition, even if one or more of our product candidates qualifies as a breakthrough

therapy, the FDA may later decide that the product no longer meets the conditions for qualification or decide that the time period for FDA review or approval will not be shortened.

If we fail to obtain or maintain orphan drug exclusivity for some of our product candidates, we will miss out on certain valuable incentives including a period of marketing exclusivity as well as federal grants, tax credits and a waiver of Prescription Drug User Fee Act filing fees.

We intend to develop some product candidates that may be eligible for orphan drug designation from the FDA. Under the Orphan Drug Act, the FDA has discretion to designate a product as an orphan drug if it is designed to treat a rare disease or condition, which is defined as a patient population of less than 200,000 in the United States. The applicant that first obtains FDA approval for a designated orphan drug receives marketing exclusivity for use of that drug for the stated condition or disease for a period of seven years and becomes eligible for certain federal grants, tax credits and a waiver of Prescription Drug User Fee Act filing fees.

For our product candidates that are eligible, we plan to rely on the exclusivity period under the Orphan Drug Act to attain a competitive position. If we do not obtain orphan drug exclusivity for our drug products that do not have broad patent protection, our competitors may then sell the same drug to treat the same condition and our revenues will be reduced. On May 26, 2015, the FDA granted orphan drug designation to CRLX101 for the treatment of ovarian cancer.

Even though we have obtained orphan drug designation for CRLX101 for the treatment of ovarian cancer, we still may not be the first to obtain marketing approval for any particular orphan indication. Further, even if we obtain orphan drug exclusivity for a product candidate, that exclusivity may not effectively protect it from competition because different drugs can be approved for the same condition. Even after an orphan drug is approved and granted orphan drug exclusivity, the FDA can subsequently approve the same drug for the same condition. Orphan drug designation neither shortens the development time or regulatory review time of a drug, nor gives the drug any advantage in the regulatory review or approval process.

We may request Priority Review for one or more of our product candidates at the time of the submission of the NDA to the FDA. The FDA may not grant Priority Review for any of our product candidates. Moreover, even if the FDA designated Priority Review for one of our product candidates, that designation may not lead to a faster regulatory review or approval process and, in any event, would not assure FDA approval.

A ten-month standard NDA review clock will begin at the conclusion of the 60 calendar day filing review period that starts on the date the FDA receives the original submission. This means the FDA has a total of twelve months from its receipt of the original submission to take regulatory action. We may be eligible for Priority Review designation for our NDA submission if the FDA determines that our product candidate treats a serious condition and, if approved, would provide a significant improvement in safety or effectiveness. The six-month Priority Review clock will begin at the conclusion of the 60 calendar day filing review period that starts on the date of FDA receipt of the original submission. Therefore, if granted Priority Review, the FDA has a total of eight months to take action on an application rather than the standard total of twelve months. We may request Priority Review for CRLX101 if and when we submit an NDA for CRLX101. Our current clinical development timeline assumes CRLX101 will receive Priority Review. The FDA has broad discretion whether or not to grant Priority Review to a product candidate, so even if we believe a particular product candidate is eligible for such designation or status, the FDA may decide not to grant it. Thus, while the FDA has granted Priority Review to other oncology product candidates, CRLX101 may not receive similar designation. Moreover, even if CRLX101 or one of our other product candidates is designated for Priority Review, such a designation does not necessarily mean a faster regulatory review process or necessarily confer any advantage with respect to approval compared to conventional FDA procedures. Receiving Priority Review from the FDA also does not guarantee approval within the eight-month review cycle or thereafter.

We believe we may in some instances be able to secure approval from the FDA or comparable non-U.S. regulatory authorities to use accelerated registration pathways. If unable to obtain such approval, we may be required to conduct additional preclinical studies or clinical trials beyond those that we contemplate, which could increase the expense of obtaining, and delay the receipt of, necessary marketing approvals.

We anticipate that we may seek an Accelerated Approval development pathway for certain of our product candidates and indications. Under the Accelerated Approval provisions in the Federal Food, Drug, and Cosmetic Act, or FDCA, and the FDA's implementing regulations, the FDA may grant Accelerated Approval to a product designed to treat a serious or life-threatening condition that provides meaningful therapeutic benefit over available therapies upon a determination that the product has an effect on a surrogate endpoint or intermediate clinical endpoint that is reasonably likely to predict clinical benefit. The FDA considers a clinical benefit to be a positive therapeutic effect that is clinically meaningful in the context of a given disease, such as irreversible morbidity or mortality. For the purposes of Accelerated Approval, a surrogate endpoint is a marker, such as a laboratory measurement, radiographic image, physical sign, or other measure that is thought to predict clinical benefit, but is not itself a measure of clinical benefit. An intermediate clinical endpoint is a clinical endpoint that can be measured earlier than an effect on irreversible morbidity or mortality that is reasonably likely to predict an effect on irreversible morbidity or mortality or other clinical benefit. The Accelerated

Approval pathway may be used in cases in which the advantage of a new drug over available therapy may not be a direct therapeutic advantage, but is a clinically important improvement from a patient and public health perspective. If granted, Accelerated Approval is contingent on the sponsor's agreement to conduct, in a diligent manner, additional post-approval confirmatory studies to verify and describe the drug's clinical profile or risks and benefits for Traditional Approval. If such post-approval studies fail to confirm the drug's clinical profile or risks and benefits, the FDA may withdraw its approval of the drug.

If we choose to pursue Accelerated Approval, we intend to seek feedback from the FDA and will otherwise evaluate our ability to seek and receive such Accelerated Approval. There can be no assurance that the FDA will agree that our endpoint is an appropriate surrogate endpoint. There can also be no assurance that after our evaluation of the feedback and other factors we will decide to pursue or submit an NDA for Accelerated Approval or any other form of expedited development, review or approval. Similarly, there can be no assurance that after subsequent FDA feedback that we will continue to pursue or apply for Accelerated Approval or any other form of expedited development, review or approval, even if we initially decide to do so. Furthermore, if we decide to submit an application for Accelerated Approval, there can be no assurance that such submission or application will be accepted or that any expedited review or approval will be granted on a timely basis, or at all. The FDA or other non-U.S. authorities could also require us to conduct further studies prior to considering our application or granting approval of any type. Even if the FDA agreed that we could pursue an Accelerated Approval registration pathway, we might not be able to fulfill the FDA's requirements with respect to chemistry, manufacturing and controls in a timely manner, which would cause delays, or approval might not be granted because our submission is deemed incomplete by the FDA.

A failure to obtain Accelerated Approval or any other form of expedited development, review or approval for our product candidates would result in a longer time period to commercialization of such product candidate, could increase the cost of development of such product candidate and could harm our competitive position in the marketplace.

Serious adverse events of CRLX101 or any of our product candidates may be identified during clinical development. Further, other unexpected properties of our product candidates may be identified during manufacture or development. Such adverse events or unexpected properties could delay or prevent the continued development and/or marketing approval of any such product candidate.

Serious adverse events caused by, or other unexpected properties of, our product candidates could cause us, an institutional review board or regulatory authorities to interrupt, delay or halt clinical trials of one or more of our product candidates and could result in a more restrictive label or the delay or denial of marketing approval by the FDA or comparable non-U.S. regulatory authorities. If any of our product candidates is associated with serious adverse events or other unexpected properties, we may need to abandon development or limit development of that product candidate to certain uses or subpopulations in which those undesirable characteristics would be expected to be less prevalent, less severe or more tolerable from a risk-benefit perspective. If we learn that the manufacture of our product candidates generates unexpected impurities or product degradants, these properties could contribute to serious adverse events and negatively impact our overall development cost and timelines as we address those properties. Many compounds that initially showed promise in clinical or earlier stage testing have later been found to cause serious or unexpected adverse events and negatively affect overall development costs and timelines, which may even prevent further development of the compound.

Both camptothecin, the anti-cancer payload of CRLX101, and docetaxel, the anti-cancer payload of CRLX301, have been associated with toxicities. These toxicities led to discontinuation of the clinical development in the case of camptothecin and have led to dose adjustments, treatment discontinuation and extensive supportive care in the case of docetaxel. While we believe that our Dynamic Tumor Targeting Platform has the potential to improve the unfavorable adverse event profiles of both camptothecin and docetaxel, if this hypothesis is wrong and we experience unexpected or more severe toxicities in our ongoing clinical trials or in clinical trials we conduct in the future, whether due to the inclusion of camptothecin or docetaxel or another therapeutic as the anti-cancer payload in our NDCs or otherwise, we may not receive approval to market, or achieve commercial success with respect to, any of our product candidates, which could prevent us from ever generating revenues or achieving profitability. In addition, our Dynamic Tumor Targeting Platform may have other limitations with respect to targeting tumors and limiting exposure of normal tissue to our NDCs' anti-cancer payload. For example, liver tissue has pore sizes that are generally larger than other normal tissue, and therefore, our NDCs and their anti-cancer payloads may preferentially concentrate in the liver.

We may not be successful in our efforts to identify or discover additional potential product candidates.

The development of new NDCs based on our Dynamic Tumor Targeting Platform is a key area of research for us. The drug discovery that we are conducting using our Dynamic Tumor Targeting Platform may not be successful in creating compounds that have commercial value or therapeutic utility. Our research programs may initially show promise in creating potential product candidates, yet fail to yield viable product candidates for clinical development for a number of reasons, including:

- newly designed NDCs may not demonstrate satisfactory efficacy or other benefits, either alone or in combination with other therapeutics; or
- potential product candidates may, on further study, be shown to have harmful toxicities or other characteristics that indicate that they are unlikely to be products that will receive marketing approval and achieve market acceptance.

Our research programs to identify new product candidates will require substantial technical, financial and human resources. We may be unsuccessful in our efforts to identify new potential product candidates. In addition, we may focus our efforts and resources on one or more potential product candidates that ultimately prove to be unsuccessful. If we are unable to identify suitable additional compounds for preclinical and clinical development, our ability to develop product candidates and obtain product revenues in future periods could be compromised, which could result in significant harm to our financial position and adversely impact our stock price.

Even if one of our product candidates receives marketing approval, it may fail to achieve the degree of market acceptance by physicians, patients, third party payors and others in the medical community necessary for commercial success and the market opportunity for the product candidate may be smaller than we estimate.

We have never commercialized a product. Even if CRLX101 or any of our other product candidates is approved by the appropriate regulatory authorities for marketing and sale, it may nonetheless fail to gain sufficient market acceptance by physicians, patients, third party payors and others in the medical community. For example, physicians are often reluctant to switch their patients from existing therapies even when new and potentially more effective or convenient treatments enter the market. Further, patients often acclimate to the therapy that they are currently taking and do not want to switch unless their physicians recommend switching products or they are required to switch therapies due to lack of reimbursement for existing therapies.

Efforts to educate the medical community and third party payors on the benefits of our product candidates may require significant resources and may not be successful. If any of our product candidates is approved but does not achieve an adequate level of market acceptance, we may not generate significant revenues and may not become profitable. The degree of market acceptance of CRLX101 or any of our other product candidates, if approved for commercial sale, will depend on a number of factors, including:

- the efficacy and safety of the product;
- the potential advantages of the product compared to alternative treatments;
- the prevalence and severity of any side effects;
- the clinical indications for which the product is approved;
- whether the product is designated under physician treatment guidelines as a first-line therapy or as a second- or third-line therapy;
- limitations or warnings, including distribution or use restrictions, contained in the product’s approved labeling;
- our ability to offer the product for sale at competitive prices;
- our ability to establish and maintain pricing sufficient to realize a meaningful return on our investment;
- the product’s convenience and ease of administration compared to alternative treatments;
- the willingness of the target patient population to try, and of physicians to prescribe, the product;
- the strength of sales, marketing and distribution support;
- the availability of alternative treatments already approved or approval of other new products for the same indications;
- changes in the standard of care for the targeted indications for the product;
- the timing of market introduction of our approved products as well as competitive products and other therapies;
- availability and amount of reimbursement from government payors, managed care plans and other third party payors;

- the strength and efficacy of our marketing and distribution efforts;
- adverse publicity about the product or favorable publicity about competitive products; and
- potential product liability claims.

The potential market opportunities for our product candidates are difficult to estimate precisely. Our estimates of the potential market opportunities are predicated on many assumptions, including industry knowledge and publications, third party research reports and other surveys. While we believe that our internal assumptions are reasonable, these assumptions involve the exercise of significant judgment on the part of our management, are inherently uncertain and the reasonableness of these assumptions has not been assessed by an independent source. If any of the assumptions proves to be inaccurate, the actual markets for our product candidates could be smaller than our estimates of the potential market opportunities.

If any of our product candidates receives marketing approval and we, or others, later discover that the drug is less effective than previously believed or causes undesirable side effects that were not previously identified, our ability to market the drug could be compromised.

Clinical trials of our product candidates 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 positive effect of a product candidate that is greater than the actual positive effect, if any, or, alternatively, fail to identify undesirable side effects. If, following approval of a product candidate, we, or others, discover that the drug is less effective than previously believed or causes undesirable side effects that were not previously identified, any of the following adverse events could occur:

- regulatory authorities may withdraw their approval of the drug or seize the drug;
- we may be required to recall the drug or change the way the drug is administered;
- additional restrictions may be imposed on the marketing of, or the manufacturing processes for, the particular drug;
- we may be subject to fines, injunctions or the imposition of civil or criminal penalties;
- regulatory authorities may require the addition of labeling statements, such as a “black box” warning or a contraindication;
- we may be required to create a Medication Guide outlining the risks of the previously unidentified side effects for distribution to patients;
- we could be sued and held liable for harm caused to patients;
- the drug 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 and could adversely impact our stock price.

If we are unable to establish sales, marketing and distribution capabilities or enter into acceptable sales, marketing and distribution arrangements with third parties, we may not be successful in commercializing any product candidates that we develop, if and when those product candidates are approved.

We do not have a sales, marketing or distribution infrastructure and have limited experience in the sale, marketing or distribution of pharmaceutical products. To achieve commercial success for any approved product, we must either develop a sales and marketing organization or outsource these functions to third parties. If approved, we expect to commercialize our lead product candidates in the United States directly with a small and highly focused commercialization organization. The development of sales, marketing and distribution capabilities will require substantial resources, will be time-consuming and could delay any product launch. We expect that we will commence the development of these capabilities prior to receiving approval of any of our product candidates. If the commercial launch of a product candidate for which we recruit a sales force and establish marketing and distribution capabilities is delayed or does not occur for any reason, we could have prematurely or unnecessarily incurred these commercialization costs. Such a delay may be costly, and our investment could be lost if we cannot retain or reposition our sales and marketing personnel. In addition, we may not be able to hire or retain a sales force in the United States that is sufficient in size or has adequate expertise in the medical markets that we plan to target. If we are unable to establish or retain a sales force and marketing and distribution capabilities, our operating results may be adversely affected. If a potential partner has development or commercialization expertise that we believe is particularly relevant to one of our products, then we may seek to collaborate with that potential partner even if we believe we could otherwise develop and commercialize the product independently.

We expect to seek one or more strategic partners for commercialization of our product candidates outside the United States. As a result of entering into arrangements with third parties to perform sales, marketing and distribution services, our product revenues or the profitability of these product revenues may be lower, perhaps substantially lower, than if we were to directly market and sell products in those markets. Furthermore, we may be unsuccessful in entering into the necessary arrangements with third parties or may be unable to do so on terms that are favorable to us. In addition, we may have little or no control over such third parties, and any of them may fail to devote the necessary resources and attention to sell and market our products effectively.

If we do not establish sales and marketing capabilities, either on our own or in collaboration with third parties, we will not be successful in commercializing any of our product candidates that receive marketing approval.

We face substantial competition from other pharmaceutical and biotechnology companies and our operating results may suffer if we fail to compete effectively.

The development and commercialization of new drug products is highly competitive. We expect that we will face significant competition from major pharmaceutical companies, specialty pharmaceutical companies and biotechnology companies worldwide with respect to CRLX101, CRLX301 and any future product candidates that we may seek to develop or commercialize. Specifically, due to the large unmet medical need, global demographics and relatively attractive reimbursement dynamics, the oncology market is fiercely competitive and there are a number of large pharmaceutical and biotechnology companies that currently market and sell products or are pursuing the development of product candidates for the treatment of cancer. Our competitors may succeed in developing, acquiring or licensing technologies and drug products that are more effective, have fewer or more tolerable adverse events or are less costly than any product candidates that we are currently developing or that we may develop, which could render our product candidates obsolete and noncompetitive.

Several companies are marketing and developing oncology products. Companies with marketed nanoparticle oncology products include Celgene Corporation (Abraxane indicated for breast cancer, NSCLC and pancreatic cancer), Janssen Products, LP (Doxil indicated for ovarian cancer and, in combination with bortezomib, for multiple myeloma), Spectrum Pharmaceuticals, Inc. (Marqibo ® (vincristine sulfate liposome injection) indicated for relapsed Philadelphia chromosome-negative acute lymphoblastic leukemia) and Merrimack Pharmaceuticals (Onivyde™ (irinotecan liposomal injection) indicated for pancreatic and colorectal cancer). Companies with nanoparticle oncology product candidates in clinical development include BIND Therapeutics, Inc. (BIND 014 for NSCLC and metastatic castration-resistant prostate cancer), Nippon Kayku Seizo Co., Ltd. (NK105 in breast cancer), Celator Pharmaceuticals, Inc. (CPX-351 for acute myeloid leukemia), Celsion Corporation (ThermoDox ® (lyso-thermosensitive liposomal doxorubicin) for solid tumors), Cytimmune Sciences, Inc. (CYT-6091 for oncology and autoimmune diseases), Starpharma Holdings Ltd. (DEP® docetaxel for oncology), Cristal Delivery B.V. d/b/a Cristal Therapeutics (CriPec® docetaxel for oncology), Supratek Pharma Inc. (SP1049C for solid tumors) and Nektar Therapeutics (NKTR102 for breast cancer).

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. Our competitors also may obtain FDA or other marketing approval for their product candidates before we are able to obtain approval for our product candidates, which could result in our competitors establishing a strong market position before we are able to enter the market. The competition for CRLX101 in our targeted indications includes the following:

Renal Cell Carcinoma. In advanced RCC, several drugs in development have the potential to obtain FDA marketing approval and change the standard of care. If this occurs, currently available treatments could be replaced or altered and our commercial opportunity could be reduced. For example, Bristol-Myers Squibb is developing nivolumab; Merck is developing pembrolizumab; Eisai Co., Ltd. is developing lenvantinib in combination with everolimus; Acceleron Pharma Inc. is developing dalantercept in combination with axitinib; TRACON Pharmaceuticals, Inc. is developing TRC105, also in combination with axitinib; and AVEO Pharmaceuticals, Inc. is developing tivozanib.

Although most of these product candidates are being tested for earlier lines of therapy, they also have the potential to change the standard of care in later lines of therapy in advanced RCC, which could create questions about the optimal sequence of agents and, among other things, could result in existing first-line therapies being prescribed instead of later lines of therapy. Determining the optimal sequence of agents could be further complicated if their approval and/or availability is different in the U.S. and Europe. If this occurs, it would potentially reduce the commercial opportunity for CRLX101 in relapsed RCC.

Relapsed Ovarian Cancer. In relapsed ovarian cancer, the recent FDA approvals of Avastin with chemotherapy and Lynparza® in BRCA mutated patients has changed the standard of care, which could reduce the commercial opportunity for CRLX101 in this indication. In addition, other companies are developing candidates for the treatment of relapsed ovarian cancer. For example, AstraZeneca is testing the Wee-1 inhibitor, AZD-1775, in p53 mutated patients and Immuogen, Inc. is testing IMGN853 in ovarian cancer patients with folate receptor positive tumors. Recent and upcoming approvals have the potential to reduce our commercial opportunity.

Locally Advanced Rectal Cancer. In locally advanced rectal cancer, a number of companies are developing potentially competitive product candidates. For instance, Isofol Medical AB is developing a molecule that is currently labeled [6R] 5,10-methylenetetrahydrofolate; Karyopharm Therapeutics Inc. is developing Selinexor in combination with chemoradiotherapy; Merck KGaA is developing tecemotide with chemoradiotherapy; Genentech, Inc. is testing Avastin in combination with capecitabine; Kadmon Corporation, LLC is developing KD018 in combination with capecitabine and radiation and AbbVie Inc. has completed an early stage clinical trial of the PARP inhibitor veliparib in combination with chemotherapy and radiation. If any of these product candidates receives marketing approval, our commercial opportunity in locally advanced rectal cancer could be reduced.

Many of our existing and potential future competitors have significantly greater financial resources and expertise in research and development, manufacturing, preclinical testing, conducting clinical trials, obtaining marketing 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 or early stage companies may also prove to be significant competitors, particularly through collaborative arrangements with large and established companies. These competitors also compete with us in recruiting and retaining qualified scientific and management personnel and establishing clinical trial sites and patient registration for clinical trials, as well as in acquiring technologies complementary to, or necessary for, our programs.

If the FDA or comparable non-U.S. regulatory authorities approve generic versions of any of our products that receive marketing approval, or such authorities do not grant our products appropriate periods of data exclusivity before approving generic versions of our products, the sales of our products could be adversely affected.

Once an NDA is approved, the product covered thereby becomes a "reference listed drug" in the FDA's publication, "Approved Drug Products with Therapeutic Equivalence Evaluations." Manufacturers may seek approval of generic versions of reference listed drugs through submission of abbreviated new drug applications, or ANDAs, in the United States. In support of an ANDA, a generic manufacturer need not conduct clinical studies. Rather, the applicant generally must show that its product has the same active ingredient(s), dosage form, strength, route of administration and conditions of use or labeling as the reference listed drug and that the generic version is bioequivalent to the reference listed drug, meaning it is absorbed in the body at the same rate and to the same extent. Generic products may be significantly less costly to bring to market than the reference listed drug and companies that produce generic products are generally able to offer them at lower prices. Thus, following the introduction of a generic drug, a significant percentage of the sales of any branded product or reference listed drug may be typically lost to the generic product.

The FDA may not approve an ANDA for a generic product until any applicable period of non-patent exclusivity for the reference listed drug has expired. The FDCA provides a period of five years of non-patent exclusivity for a new drug containing a new chemical entity. Specifically, in cases in which such exclusivity has been granted, an ANDA may not be filed with the FDA until the expiration of five years unless the submission is accompanied by a Paragraph IV certification that a patent covering the reference listed drug is either invalid or will not be infringed by the generic product, in which case the applicant may submit its application four years following approval of the reference listed drug. While we believe that CRLX101 and certain of our other NDCs would be treated as new chemical entities by the FDA and, therefore, if approved, should be afforded five years of data exclusivity, the FDA may disagree with that conclusion and may approve generic products after a period that is less than five years. Manufacturers may seek to launch these generic products following the expiration of the applicable marketing exclusivity period, even if we still have patent protection for our product.

Competition that our products may face from generic versions of our products could materially and adversely impact our future revenue, profitability and cash flows and substantially limit our ability to obtain a return on the investments we have made in those product candidates.

CRLX301 is, and any additional product candidate that we may develop in the future may be, an NDC that includes a generically available therapeutic as its anti-cancer payload. If physicians and/or third party payors do not believe our product offers substantial advantages over other therapies incorporating the same generic anti-cancer payload, we may not be able to successfully commercialize our product.

Although we have intellectual property rights, including composition of matter patents, covering our product candidates, if approved, we expect that our product candidates will compete in the same indications against other nanoparticles and delivery platforms incorporating the same generic therapeutics. In particular, if any of our product candidates is approved and becomes commercially successful, other companies may intensify their efforts to develop a competing product that includes the corresponding generic therapeutic. If physicians, rightly or wrongly, do not believe that a product that we develop offers substantial advantages over another nanoparticle or delivery platform incorporating the same generic therapeutic, physicians might not prescribe our product. In addition, third party payors might refuse to provide reimbursement for a product that we develop when another nanoparticle or delivery platform incorporating the same generic therapeutic offers a cheaper alternative therapy in the same indication, or might otherwise encourage use of another nanoparticle or delivery platform incorporating the same generic therapeutic over our product, even if our product possesses favorable pharmaceutical properties.

Even if we are able to commercialize any product candidate that we develop, the product may become subject to unfavorable pricing regulations, third party payor reimbursement practices or healthcare reform initiatives that could harm our business.

The commercial success of our product candidates will depend substantially, both domestically and abroad, 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 payors. If reimbursement is not available, or is available only at 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 and maintain pricing sufficient to realize a meaningful return on our investment.

There is significant uncertainty related to third party payor coverage and reimbursement of newly approved drugs. Marketing approvals, pricing and reimbursement for new drug products vary widely from country to country. Some countries require approval of the sale price of a drug before it can be marketed. In many countries, the pricing review period begins after marketing or product licensing approval is granted. In some non-U.S. markets, prescription pharmaceutical pricing remains subject to continuing governmental control even after initial approval is granted. As a result, we might obtain marketing approval for a product in a particular country, but then be subject to price regulations that delay commercial launch of the product, possibly for lengthy time periods, which may negatively impact the revenues we are able to generate from the sale of the product in that country. Adverse pricing limitations may hinder our ability to recoup our investment in one or more product candidates, even if our product candidates obtain marketing approval.

Our ability to commercialize CRLX101 or any other product candidate will depend in part on the extent to which coverage and reimbursement for these products and related treatments will be available from government health administration authorities, private health insurers and other organizations. Government authorities and third party payors, such as private health insurers and health maintenance organizations, decide which medications they will cover and establish reimbursement levels. The healthcare industry is acutely focused on cost containment, both in the United States and elsewhere. Government authorities and third party payors have attempted to control costs by limiting coverage and the amount of reimbursement for particular medications, which could affect our ability to sell our product candidates profitably. These payors may not view our products, if any, as cost-effective, and coverage and reimbursement may not be available to our customers, or may not be sufficient to allow our products, if any, to be marketed on a competitive basis. Cost-control initiatives could cause us to decrease the price we might establish for products, which could result in lower than anticipated product revenues. If the prices for our products, if any, decrease or if governmental and other third party payors do not provide adequate coverage or reimbursement, our prospects for revenue and profitability will suffer.

There may also be delays in obtaining coverage and reimbursement for newly approved drugs, and coverage may be more limited than the indications for which the drug is approved by the FDA or comparable non-U.S. regulatory authorities. Moreover, eligibility for reimbursement does not imply that any drug will be paid for in all cases or at a rate that covers our costs, including research, development, manufacture, sale and distribution. Reimbursement rates may vary, by way of example, according to the use of the drug and the clinical setting in which it is used. Reimbursement rates may also be based on reimbursement levels already set for lower cost drugs or may be incorporated into existing payments for other services.

In addition, increasingly, third party payors are requiring higher levels of evidence of the benefits and clinical outcomes of new technologies and are challenging the prices charged. We cannot be sure that coverage will be available for any product candidate that we, or they, commercialize and, if available, that the reimbursement rates will be adequate. Further, the net reimbursement for drug products may be subject to additional reductions if there are changes to laws that presently restrict imports of drugs from countries where they may be sold at lower prices than in the United States. An inability to promptly obtain coverage and adequate payment rates from both government-funded and private payors for any our product candidates for which we obtain marketing approval could have a material adverse effect on our operating results, our ability to raise capital needed to commercialize products and our financial condition.

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

We face an inherent risk of product liability claims as a result of the clinical testing of our product candidates despite obtaining informed consents from our clinical trial participants. We will face an even greater risk if we commercially sell any product that we may develop. For example, we may be sued if any product we develop allegedly causes injury or is found to be otherwise unsuitable during clinical testing, manufacturing, marketing or sale. Any such product liability claims may include allegations of defects in manufacturing, defects in design, a failure to warn of dangers inherent in the product, negligence, strict liability or a breach of warranties. Claims could also be asserted under state consumer protection acts. If we cannot successfully defend ourselves against product liability claims, we may incur substantial liabilities or be required to limit commercialization of our product candidates. Regardless of the merits or eventual outcome, liability claims may result in:

- decreased demand for our 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 resulting 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 maintain general liability, product liability and umbrella liability insurance. Our existing insurance coverage may not fully cover potential liabilities that we may incur. The cost of any product liability litigation or other proceeding, even if resolved in our favor, could be substantial. We will need to increase our insurance coverage as our risks of exposure increase, which, for example, would happen if and when we begin selling any product candidate that receives marketing approval. In addition, certain types of insurance coverage are becoming increasingly expensive. If we are unable to obtain or maintain sufficient insurance coverage at an acceptable cost or to otherwise protect against potential product liability claims, it could prevent or inhibit the development and commercial production and sale of our product candidates, which could adversely affect our business, financial condition, results of operations and prospects.

Risks Related to Our Dependence on Third Parties

We rely on third parties to conduct ISTs of some of our product candidates. Any failure by a third party to meet its obligations with respect to the clinical development of our drug candidates may delay or impair our ability to obtain regulatory approval for our product candidates.

We rely on academic institutions to conduct and sponsor some of our clinical trials relating to some of our product candidates. We do not control the design or administration of ISTs, and our reliance on third parties to conduct the ISTs could, depending on the actions of such third parties, jeopardize the validity or timeliness of the clinical data generated and adversely affect our ability to obtain marketing approval from the FDA or other applicable regulatory authorities.

Such arrangements provide us with certain information rights with respect to the ISTs, including access to and the ability to use and reference the data, including for our own regulatory filings, resulting from the investigator-sponsored trials. However, we do not control patient enrollment in, or the timing and reporting of the data from, ISTs, nor do we own the data from the ISTs. Moreover, if we are unable to confirm or replicate the results from the ISTs or if negative results are obtained in the ISTs, we would likely be further delayed or prevented from advancing further clinical development of our drug candidates. Further, if investigators or institutions breach their obligations with respect to the clinical development of our drug candidates, or if the data proves to be unfavorable, incomplete or inconclusive, then our ability to design and conduct any future clinical trials ourselves may be adversely affected.

The FDA or non-U.S. regulatory authorities may disagree with the sufficiency of our right of reference to the preclinical, manufacturing or clinical data generated by ISTs, or our interpretation of preclinical, manufacturing or clinical data from ISTs. If so, the FDA or other non-U.S. regulatory authorities may require us to obtain and submit additional preclinical, manufacturing, or clinical data before we may initiate our planned trials and/or may not accept such additional data as adequate to initiate our planned trials.

Moreover, there will be no independent review of the results of the ISTs. Therefore, the investigators may interpret the results of the ISTs more favorably than an independent review would.

Moreover, ISTs of our product candidates may continue even after we commence company-sponsored trials in the same or different indications. To the extent the results of these ISTs are inconsistent with, or different from, the results of our company-sponsored trials, the FDA or a non-U.S. regulatory authority may question the results of the company-sponsored trial, or subject such results to greater scrutiny than it otherwise would. In these circumstances, the FDA or such other non-U.S. regulatory authorities may require us to obtain and submit additional clinical data, which could delay clinical development or marketing approval of the applicable product candidate.

We rely, and expect to continue to rely, on third parties to conduct our clinical trials, and those third parties may not perform satisfactorily, including failing to meet deadlines for the completion of such trials.

We currently rely on third party clinical research organizations, or CROs, to conduct our clinical trials. We also rely on third parties including CROs to collect and monitor adverse event data for our clinical trials. We expect to continue to rely on third parties, such as CROs, clinical data management organizations, medical institutions and clinical investigators, to conduct our clinical trials. Our agreements with these third parties generally allow the third party to terminate the agreement at any time. If we are required to enter into alternative arrangements because of any such termination the introduction of our product candidates to market could be delayed.

Our reliance on these third parties for research and development activities will reduce our control over these activities but will not relieve us of our responsibilities. For example, we design our clinical trials and will remain responsible for ensuring that each of our clinical trials is conducted in accordance with the general investigational plan and protocols for the trial. Moreover, the FDA requires us to comply with standards, commonly referred to as good clinical practices for conducting, recording and reporting the results of clinical trials to assure that data and reported results are credible and accurate and that the rights, integrity and confidentiality of trial participants are protected. Our reliance on third parties that we do not control does not relieve us of these responsibilities and requirements. We are also required to register ongoing clinical trials and post the results of completed clinical trials on a government-sponsored database, ClinicalTrials.gov, within specified timeframes. Failure to do so can result in fines, adverse publicity and civil and criminal sanctions.

Furthermore, these third parties may also have relationships with other entities, some of which may be our competitors. If these third parties do not successfully carry out their contractual duties, meet expected deadlines or conduct our clinical trials in accordance with regulatory requirements or our stated protocols, we will not be able to obtain, or may be delayed in obtaining, marketing approvals for our product candidates and will not be able to, or may be delayed in our efforts to, successfully commercialize our product candidates.

We also expect to rely on other third parties to manufacture, 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 seek to enter into collaborations with third parties for the development and commercialization of our product candidates. If we fail to enter into such collaborations, or such collaborations are not successful, we may not be able to capitalize on the market potential of our product candidates.

We may seek third-party collaborators for development and commercialization of our product candidates. Our likely collaborators for any marketing, distribution, development, licensing or broader collaboration arrangements include large and mid-size pharmaceutical companies, regional and national pharmaceutical companies, biotechnology companies and certain governmental agencies. We are not currently party to any such arrangement. However, if we do enter into any such arrangements with any third parties in the future, we will likely have limited control over the amount and timing of resources that our collaborators dedicate to the development or commercialization of our product candidates. Our ability to generate revenues from these arrangements will depend on our collaborators' abilities to successfully perform the functions assigned to them in these arrangements.

Collaborations involving our product candidates would pose the following risks to us:

- collaborators have significant discretion in determining the efforts and resources that they will apply to these collaborations;
- collaborators may not pursue development and commercialization of our product candidates or may elect not to continue or renew development or commercialization programs based on clinical trial results, changes in the collaborators' strategic focus or available funding, or external factors such as an acquisition that diverts resources or creates competing priorities;

- collaborators may delay clinical trials, provide insufficient funding for a clinical trial program, stop a clinical trial or abandon a product candidate, repeat or conduct new clinical trials or require a new formulation of a product candidate for clinical testing;
- 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 or can be commercialized under terms that are more economically attractive than ours;
- collaborators with marketing and distribution rights to one or more products may not commit sufficient resources to the marketing and distribution of such product or products;
- collaborators may not properly maintain or defend our intellectual property rights 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 our intellectual property rights or the intellectual property rights of third parties, which may expose us to litigation and potential liability;
- disputes may arise between the collaborators and us that result in the delay or termination of the research, development or commercialization of our products or product candidates or that result in costly litigation or arbitration that diverts management attention and resources; and
- collaborations may be terminated and, if terminated, may result in a need for additional capital to pursue further development or commercialization of the applicable product candidates.

Collaboration agreements may not lead to development or commercialization of product candidates in the most efficient manner or at all. If a collaborator of ours were to be involved in a business combination or divestiture, the continued pursuit and emphasis on our product development or commercialization program could be delayed, diminished or terminated.

If we are not able to establish collaborations, we may have to alter our development and commercialization plans.

Our drug development programs and the potential commercialization of our product candidates will require substantial additional cash to fund expenses. For some of our product candidates, we may decide to collaborate with pharmaceutical and biotechnology companies for the development and potential commercialization of those product candidates.

We face significant competition in seeking appropriate collaborators. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the collaborator's resources and expertise, the terms and conditions of the proposed collaboration and the proposed collaborator's evaluation of a number of factors. Those factors may include the design or results of clinical trials, the likelihood of approval by the FDA or similar regulatory authorities outside the United States, the potential market for the subject product candidate, the costs and complexities of manufacturing and delivering such product candidate to patients, the potential of competing products, the existence of uncertainty with respect to our ownership of technology, which can exist if there is a challenge to such ownership without regard to the merits of the challenge and industry and market conditions generally. The collaborator may also consider alternative product candidates or technologies for similar indications that may be available to collaborate on and whether such a collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under future license agreements from entering into agreements on certain terms with potential collaborators. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future collaborators.

We may not be able to negotiate collaborations on a timely basis, on acceptable terms, or at all. If we are unable to do so, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or reduce the scope of any sales or marketing activities, or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

We contract with third parties for the manufacture of our product candidates for preclinical and clinical testing 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 such quantities at an acceptable cost, which could delay, prevent or impair our development or commercialization efforts.

We do not currently own or operate manufacturing facilities for the production of clinical quantities of CRLX101 or CRLX301 and have limited personnel with manufacturing experience. We currently rely on and expect to continue to rely on third party contract manufacturers to manufacture supplies of our product candidates for preclinical and clinical testing, as well as for commercial manufacture if any of our product candidates receive marketing approval.

CRLX101 and CRLX301 must be manufactured through complex, multi-step synthesis processes that are time-consuming and involve special conditions at certain stages. Drug substance manufacture requires high potency containment, and drug product manufacture requires high potency containment under aseptic conditions, also referred to as sterile manufacture. For example, in 2013 we experienced a batch contamination issue with the manufacture of a batch of CRLX301 drug substance, and the process of obtaining a new batch required several months to complete. Any additional batch failures, whether on the part of our existing or future manufacturers or as a result of our failure to make timely and effective improvements in our manufacturing processes, could materially delay clinical development or marketing approval of our product candidates or result in our inability to generate sufficient supplies to meet clinical or commercial demands. Although we currently have backup suppliers for several stages of the manufacturing process, we rely on one supplier for each stage of this process. If our current contract manufacturers cannot perform as agreed, or become unavailable to us for any reason, we may be required to replace such manufacturers. Our agreements with our third party manufacturers can be terminated by us or such manufacturers on short notice. If any of our existing manufacturers should become unavailable to us for any reason or should be unable to secure additional manufacturing capacity in the event of higher than anticipated product demand, we may incur additional cost or delay in identifying or qualifying replacements. In addition, while we believe that our existing supplier of drug substance or an alternative supplier would be capable of continuing to produce drug substance in commercial quantities, we will need to identify a third-party manufacturer capable of providing commercial quantities of drug product. If we are unable to arrange for such a third-party manufacturing source, or fail to do so on commercially reasonable terms, we may not be able to successfully produce and market CRLX101 or any other product candidate or may be delayed in doing so.

Even if we are able to establish such arrangements 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 ability of manufacturers to consistently produce intermediates, drug substance or drug product that meet required quality specifications;
- 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.

Third party manufacturers may not be able to comply with current good manufacturing practices, or cGMP, regulations or similar regulatory requirements outside the United States. If our contract manufacturers cannot successfully manufacture material that conforms to our specifications and the strict regulatory requirements of the FDA or applicable foreign regulatory agencies, our ability to secure and/or maintain regulatory approval for our product candidates could be adversely affected. 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.

CRLX101, CRLX301 and any future product candidates 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.

In addition, we generally rely on our manufacturers to purchase from third-party suppliers the materials necessary to produce our product candidates for our clinical studies. There are a small number of suppliers for certain capital equipment and raw materials that are used in the manufacture of our drugs. Such suppliers may not sell these raw materials to our manufacturers at the times we need them or on commercially reasonable terms. We do not have any control over the process or timing of the acquisition of these raw materials by our manufacturers. Moreover, we currently do not have any agreements for the commercial production of these raw materials. Any significant delay in the supply of a product candidate or the raw material components thereof for an ongoing clinical

trial due to the need to replace a third-party manufacturer could considerably delay completion of our clinical studies, product testing and potential regulatory approval of our product candidates. If our manufacturers or we are unable to purchase these raw materials after regulatory approval has been obtained for our product candidates, the commercial launch of our product candidates would be delayed or there would be a shortage in supply, which would impair our ability to generate revenues from the sale of our product candidates.

Our current and anticipated future dependence upon others for the manufacture of our product candidates 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 patent protection for our technology and products or if the scope of the patent 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 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 abroad related to our novel technologies and product candidates.

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. It is also possible that we will fail to identify patentable aspects of our research and development output before it is too late to obtain patent protection. Moreover, in some circumstances, we do 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 non-U.S. countries may not protect our rights to the same extent as the laws of the United States. For example, European patent law restricts the patentability of methods of treatment of the human body more than United States law does. 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, and 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 or our licensors 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 issue as patents that 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 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 owned or licensed issued patents. On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to United States patent law. The Leahy-Smith Act includes provisions that affect the way patent applications are prosecuted and affect patent litigation. The United States Patent and Trademark Office, or USPTO, recently developed new regulations and procedures to govern administration of the Leahy-Smith Act. However, 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 owned or licensed patent applications and the enforcement or defense of our owned or licensed issued patents, all of which could have a material adverse effect on our business and financial condition.

Moreover, we may be subject to third party preissuance submissions of prior art to the USPTO, or become involved in opposition, derivation, reexamination, inter partes review, post-grant review or interference proceedings challenging our owned or licensed 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 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 ours.

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

Competitors may infringe our owned or licensed patents or other intellectual property. To counter infringement or unauthorized use, we may be required to file or participate in infringement claims, which can be expensive and time consuming. Any claims we or our licensors 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 or our licensor 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 owned or licensed patents at risk of being invalidated or interpreted narrowly.

CRLX101 and certain aspects of our platform technology are protected by patents assigned by or exclusively licensed from other companies or institutions. If these third parties terminate their agreements with us or fail to maintain or enforce the underlying patents, or we otherwise lose our rights to these patents, our competitive position and our market share in the markets for any of our approved products will be harmed.

We are a party to several license agreements and certain aspects of our business depend on patents and/or patent applications owned by other companies or institutions. In particular, we hold exclusive licenses from Calando Pharmaceuticals, Inc., or Calando, and California Institute of Technology, or Caltech and have been assigned certain patents from Calando for CRLX101, CRLX301 and cyclodextrine polymer-based, or CDP-based, product candidates. We also hold an exclusive license from the State University of New York, or SUNY, related to taxane-containing NDCs, such as CRLX301. We are likely to enter into additional license agreements as part of the development of our business in the future. If we are unable to maintain these patent rights for any reason, our ability to develop and commercialize our product candidates could be materially harmed.

Our licensors may not successfully prosecute certain patent applications under which we are licensed and on which our business depends. Even if patents issue from these applications, our licensors may fail to maintain these patents, may decide not to pursue litigation against third party infringers, may fail to prove infringement, or may fail to defend against counterclaims of patent invalidity or unenforceability.

Risks with respect to parties from whom we have obtained intellectual property rights may also arise out of circumstances beyond our control. For example, in March 2014, Calando entered Chapter 7 bankruptcy and, as a result, the intellectual property rights we have obtained from Calando are subject to potential risks that may arise in connection with bankruptcy. For instance, while our ability to develop and/or commercialize our current product candidates and our ability to utilize our platform are not dependent on the rights that we license from Calando, our license agreements with Calando could be rejected in connection with Calando's bankruptcy, in which case, we could, subject to elections and other rights and defenses that may be available to us, lose certain rights granted to us under such licenses. On March 27, 2015, the bankruptcy court granted Calando's bankruptcy trustee's application to retain a broker to help sell Calando's rights in certain assets including its rights in the license agreements with Cerulean. We reserved our rights with respect to any such sale.

In addition, in spite of our best efforts, our licensors might conclude that we have materially breached our intellectual property agreements and might therefore terminate the intellectual property agreements, thereby removing our ability to obtain regulatory approval and to market products covered by these intellectual property agreements. If our intellectual property agreements are terminated, or if the underlying patents fail to provide the intended market exclusivity, competitors would have the freedom to seek regulatory approval of, and to market, products similar or identical to ours. Moreover, if our intellectual property agreements are terminated, our former licensors and/or assignors may be able to prevent us from utilizing the technology covered by the licensed or assigned patents and patent applications. For example, under our agreements with Calando, which relate to CRLX101 and our CDP

platform, if we fail to meet our payment obligations and do not adequately cure such failure, or if we terminate one or both of these agreements, other than for specified safety concerns, we are required to grant Calando an exclusive (even as to Cerulean), royalty-free license under the patent rights assigned pursuant to such terminated agreement and to assign the related IND to Calando. Moreover, if we fail to meet our diligence obligations under one or both of our agreements with Calando, Calando may convert the license to a non-exclusive license, and we will be required to grant Calando a non-exclusive license under the patent rights assigned to us pursuant to such terminated agreement. This could have a material adverse effect on our competitive business position and our business prospects.

If we fail to comply with our obligations in our intellectual property agreements with third parties, we could lose rights that are important to our business.

We are party to multiple intellectual property agreements that impose, and we may enter into additional intellectual property agreements that may impose, various diligence, milestone payment, royalty and other obligations on us. Under our existing intellectual property agreements, we are obligated to pay royalties on the net sales of product candidates or related technologies to the extent they are covered by the agreement. We also have diligence and development obligations under those agreements. If we fail to comply with our obligations under current or future intellectual property agreements, our counterparties may have the right to terminate these agreements, in which event we might not be able to develop, manufacture or market any product that is covered by the agreement or face other penalties under the agreement. Such an occurrence could materially adversely affect the value of the product candidate being developed under any such agreement. Termination of these agreements or reduction or elimination of our rights under these agreements may result in our having to negotiate new or reinstated agreements with less favorable terms, or cause us to lose our rights under these agreements, including our rights to important intellectual property or technology.

Some intellectual property which we have licensed may have been discovered through government funded programs and thus may be subject to federal regulations such as "march-in" rights, certain reporting requirements, and a preference for United States industry. Compliance with such regulations may limit our exclusive rights, subject us to expenditure of resources with respect to reporting requirements, and limit our ability to contract with non-U.S. manufacturers.

Some of the intellectual property rights we have licensed may have been generated through the use of United States government funding and may therefore be subject to certain federal regulations. For example, some of the intellectual property rights licensed to us under the SUNY agreement and which are relevant to taxane containing NDCs such as CRLX301 may have been generated using United States government funds. As a result, the United States government may have certain rights to intellectual property embodied in CRLX301 pursuant to the Bayh-Dole Act of 1980. These United States government rights in certain inventions developed under a government-funded program include a non-exclusive, non-transferable, irrevocable worldwide license to use inventions for any governmental purpose. In addition, the United States government has the right to require us to grant exclusive, partially exclusive, or non-exclusive licenses to any of these inventions to a third party if it determines that: (i) adequate steps have not been taken to commercialize the invention; (ii) government action is necessary to meet public health or safety needs; or (iii) government action is necessary to meet requirements for public use under federal regulations (also referred to as "march-in rights"). The United States government also has the right to take title to these inventions if we fail to disclose the invention to the government and fail to file an application to register the intellectual property within specified time limits. In addition, the United States government may acquire title to these inventions in any country in which a patent application is not filed within specified time limits. Intellectual property generated under a government funded program is also subject to certain reporting requirements, compliance with which may require us to expend substantial resources. In addition, the United States government requires that any products embodying the subject invention or produced through the use of the subject invention be manufactured substantially in the United States. The manufacturing preference requirement can be waived if the owner of the intellectual property can show that reasonable but unsuccessful efforts have been made to grant licenses on similar terms to potential licensees that would be likely to manufacture substantially in the United States or that under the circumstances domestic manufacture is not commercially feasible. This preference for United States manufacturers may limit our ability to contract with non-U.S. product manufacturers for products covered by such intellectual property.

We currently do not plan to apply for additional United States government funding, but if we do, and we discover compounds or drug candidates as a result of such funding, intellectual property rights to such discoveries may be subject to the applicable provisions of the Bayh-Dole Act.

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 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 be 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.

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

Many of our employees were previously employed at universities or other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Although we try to ensure that our employees do not use the proprietary information or know-how of others in their work for us, we may be subject to claims that we or these employees have used or disclosed intellectual property, including trade secrets or other proprietary information, of any such employee's former employer. Litigation may be necessary to defend against these claims.

In addition, while it is our policy to require our employees and contractors who may be involved in the development of intellectual property to execute agreements assigning such intellectual property to us, we may be unsuccessful in timely obtaining such an agreement with each party who in fact develops intellectual property that we regard as our own. Even if timely obtained, such agreements may be breached, and we may be forced to bring claims against third parties, or defend claims they may bring against us, to determine the ownership of what we regard as our intellectual property.

If we fail in prosecuting or defending any such claims, we may lose valuable intellectual property rights or personnel, in addition to paying monetary damages. Even if we are successful in prosecuting or defending against such claims, litigation could result in substantial costs and be a distraction to management.

Intellectual property litigation could cause us to spend substantial resources and distract our personnel from their normal responsibilities.

Even if resolved in our favor, litigation or other legal proceedings relating to intellectual property claims may cause us to incur significant expenses, and could distract our technical and management personnel from their normal responsibilities. In addition, there could be public announcements of the results of hearings, motions or other interim proceedings or developments, and if securities analysts or investors perceive these results to be negative, it could have a substantial adverse effect on the price of our common stock. Such litigation or proceedings could substantially increase our operating losses and reduce the resources available for development activities or any future sales, marketing or distribution activities. We may not have sufficient financial or other resources to conduct such litigation or proceedings adequately. Some of our competitors may be able to sustain the costs of such litigation or proceedings more effectively than we can because of their greater financial resources. Uncertainties resulting from the initiation and continuation of patent litigation or other proceedings could compromise our ability to compete in the marketplace.

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 also enter into confidentiality and invention or patent assignment agreements with our employees and consultants. Despite these efforts, any of these parties may breach the agreements and disclose our proprietary information, including our trade secrets, and we may not be able to obtain adequate remedies for such breaches. In addition, we face the risk of cybercrime. For instance, someone could hack our information networks and gain illicit access to our proprietary information including our trade secrets. Enforcing a claim that a party illegally disclosed or misappropriated a trade secret is difficult, expensive and time-consuming, and the outcome is unpredictable. Even if we are successful in prosecuting such claims, any remedy awarded may be insufficient to fully compensate us for the improper disclosure or misappropriation. 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 it, 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 Regulatory Approval of Our Product Candidates and Other Legal Compliance Matters

Even if we complete the necessary clinical trials, the marketing approval process is expensive, time consuming and uncertain and may prevent us from obtaining approvals for the commercialization of some or all of our product candidates. If we are not able to obtain, or if there are delays in obtaining, required regulatory approvals, we will not be able to commercialize our product candidates, and our ability to generate revenue will be materially impaired.

Our product candidates and the activities associated with their development and commercialization, including their design, testing, manufacture, safety, efficacy, recordkeeping, labeling, storage, approval, advertising, promotion, sale and distribution, are subject to comprehensive regulation by the FDA and other regulatory agencies in the United States and by the EMA and similar regulatory authorities outside the United States. Failure to obtain marketing approval for a product candidate will prevent us from commercializing the product candidate. Our product candidates are in the early stages of development and are subject to the risks of failure inherent in drug development. We have not received approval to market any of our product candidates from regulatory authorities in any jurisdiction. We have only limited experience in conducting and managing the clinical trials, and in filing and supporting the applications necessary to gain marketing approvals and expect to rely on third party CROs to assist us in this process. Securing marketing approval requires the submission of extensive preclinical and clinical data and 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 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. New cancer drugs frequently are indicated only for patient populations that have not responded to an existing therapy or have relapsed. If any of our product candidates receives marketing approval, the accompanying label may limit the approved use of our drug in this way, which could limit sales of the product.

The process of obtaining marketing approvals, both in the United States and abroad, is expensive, may take many years if additional clinical trials are required, 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. 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 cause delays in the approval or rejection of an application. Regulatory authorities have substantial discretion in the approval process and may refuse to accept any application or may decide that our data is insufficient for approval and require additional preclinical, clinical or other studies. In addition, varying interpretations of the data obtained from preclinical and clinical testing could delay, limit or prevent marketing approval of a product candidate. Any marketing approval we ultimately obtain may be limited or subject to restrictions or post-approval commitments that render the approved product not commercially viable.

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. For example, if the regulatory landscape in the United States, Europe or Asia shifts unexpectedly, it may adversely affect the feasibility of study arms, standards of care or statistical assumptions currently reflected in our clinical development plans for CRLX101, potentially delaying the development of CRLX101 in a particular indication and increasing the time required to obtain marketing approval for CRLX101.

Failure to obtain marketing approval in international jurisdictions would prevent our product candidates from being marketed abroad.

In order to market and sell our products in the European Union and many other jurisdictions, we must obtain separate marketing approvals and comply with numerous and varying regulatory requirements. The approval procedure varies among countries and can involve additional testing. The time required to obtain approval may differ substantially from that required to obtain FDA approval. The regulatory approval process outside the United States generally includes all of the risks associated with obtaining FDA approval. In addition, 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 may not obtain approvals from regulatory authorities outside the United States on a timely basis, if at all. Approval by the 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.

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

Once marketing approval has been granted, an approved product and its manufacturer and marketer are subject to ongoing review and extensive regulation governing the labeling, packaging, storage and promotion of the product and record keeping and submission of safety and other post-market information.

We must comply with requirements concerning advertising and promotion for any of our product candidates for which we obtain marketing approval. Promotional communications with respect to prescription drugs are subject to a variety of legal and regulatory restrictions and must be consistent with the information in the product's approved labeling. Thus, we will not be able to promote any products we develop for indications or uses for which they are not approved.

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

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

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

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

Any product candidate for which we obtain marketing approval, along with the manufacturing processes, post-approval clinical data, labeling, advertising and promotional activities for such product, will be subject to continual requirements of and review by the FDA and other regulatory authorities. 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, requirements regarding the distribution of samples to physicians and recordkeeping. Even if marketing approval of a product candidate is granted, the approval may be subject to limitations on the indicated uses for which the product may be marketed or to the conditions of approval, including the requirement to implement a risk evaluation and mitigation strategy. New cancer drugs frequently are indicated only for patient populations that have not responded to an existing therapy or have relapsed. If any of our product candidates receives marketing approval, the accompanying label may limit the approved use of our drug in this way, which could limit sales of the product.

The FDA 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 and other agencies, including the Department of Justice, closely regulate 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 off-label use and if we market our products for unapproved indications, we may be subject to enforcement action for off-label marketing. Violations of the FDA and other statutes, including the False Claims Act, relating to the promotion and advertising 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:

- litigation involving patients taking our products;
- 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;
- suspension of any ongoing clinical trials;
- 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;
- damage to relationships with any potential collaborators;
- unfavorable press coverage and damage to our reputation;
- refusal to permit the import or export of our products;
- product seizure; or
- injunctions or the imposition of civil or criminal penalties.

Non-compliance by us or any future collaborator with regulatory 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 regulatory requirements regarding the protection of personal information can also lead to significant penalties and sanctions.

Our relationships with customers and third party payors 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, contractual damages, reputational harm and diminished profits and future earnings.

Healthcare providers, physicians and third party payors will play a primary role in the recommendation and prescription of any product candidates for which we obtain marketing approval. Our future arrangements with third party payors 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 any products for which we obtain marketing approval. Restrictions under applicable federal and state healthcare laws and regulations, include the following:

- the federal 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, or in return for, 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 a federal healthcare program such as Medicare and Medicaid;
- the federal False Claims Act imposes criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented false or fraudulent claims for payment by a federal government program, or making a false statement or record material to payment of a false claim or avoiding, decreasing or concealing an obligation to pay money to the federal government;
- 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;
- HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act and its implementing regulations, also imposes obligations, including mandatory contractual terms, 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;
- federal law requires applicable manufacturers of covered drugs to report payments and other transfers of value to physicians and teaching hospitals;
- the federal transparency requirements under the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Affordability Reconciliation Act, or collectively the PPACA, requires manufacturers of 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 and analogous non-U.S. fraud and abuse laws and regulations, may apply to sales or marketing arrangements and claims involving healthcare items or services reimbursed by non-governmental third-party payors, 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 non-U.S. 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, imprisonment, exclusion of products 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 healthcare providers or entities with whom we expect to do business is found to be not in compliance with applicable laws, they may be subject to criminal, civil or administrative sanctions, including exclusions from government funded healthcare programs.

Current 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 non-U.S. 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. Third-party payors are increasingly challenging the prices charged for medical products and services and examining the medical necessity and cost-effectiveness of medical products and services, in addition to their safety and efficacy. If these third-party payors do not consider our products, if approved, to be cost-effective compared to other available therapies, they may not cover our product after approval as a benefit under their plans or, if they do, the level of payment may not be sufficient to allow us to realize a meaningful return on our investment. The United States government, state legislatures and non-U.S. governments have shown significant interest in implementing cost containment programs to limit the growth of government-paid health care costs, including price controls, restrictions on reimbursement and requirements for substitution of generic products for branded prescription drugs. Adoption of such controls and measures, and tightening of restrictive policies in jurisdictions with existing controls and measures, could limit payments for our products, if approved.

As a result, the marketability of our products, if approved, could suffer if the government and third-party payors fail to provide adequate coverage and reimbursement. In addition, an increasing emphasis on managed care in the United States has increased and will continue to increase the pressure on drug pricing. Coverage policies, third-party reimbursement rates and drug pricing regulation may change at any time. Even if favorable coverage and reimbursement status is attained for one or more of our products that receive regulatory approval, less favorable coverage policies and reimbursement rates may be implemented in the future.

In the United States, the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA, changed the way Medicare covers and pays for pharmaceutical products. The legislation expanded Medicare coverage for drug purchases by the elderly and introduced a new reimbursement methodology based on average sales prices for physician-administered drugs. In addition, this legislation provided authority for limiting the number of drugs that will be covered in any therapeutic class. Cost reduction initiatives and other provisions of this legislation could decrease the coverage and price that we receive for any approved products. While the MMA applies only to drug benefits for Medicare beneficiaries, private payors often follow Medicare coverage policy and payment limitations in setting their own reimbursement rates. Therefore, any reduction in reimbursement that results from the MMA may result in a similar reduction in payments from private payors.

More recently, in March 2010, President Obama signed into law the PPACA, a sweeping law intended to broaden access to health insurance, reduce or constrain the growth of healthcare spending, enhance remedies against fraud and abuse, add new transparency requirements for the healthcare and health insurance industries, impose new taxes and fees on the health industry and impose additional health policy reforms.

Among the provisions of the 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;
- 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. These 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 payors. 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. 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 United States 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.

Governments outside the United States tend to impose strict price controls, which may adversely affect our revenues from the sales of our products, 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 employees may engage in misconduct or other improper activities, including non-compliance with regulatory standards and requirements, which could cause significant liability for us and harm our reputation.

We are exposed to the risk of employee fraud or other misconduct, including intentional failures to comply with FDA regulations or similar regulations of comparable non-U.S. regulatory authorities, provide accurate information to the FDA or

comparable non-U.S. regulatory authorities, comply with manufacturing standards we have established, comply with federal and state healthcare fraud and abuse laws and regulations and similar laws and regulations established and enforced by comparable non-U.S. regulatory authorities, report financial information or data accurately or disclose unauthorized activities to us. Employee misconduct could also involve the improper use of information obtained in the course of clinical trials, which could result in regulatory sanctions and serious harm to our reputation. It is not always possible to identify and deter employee misconduct, and the precautions we take to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting us from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with such laws, standards or regulations. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business and results of operations, including the imposition of significant fines or other sanctions.

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

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

In addition, we may incur substantial costs in order to comply with current or future environmental, health and safety laws and regulations. These current or future laws and regulations may impair our research, 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 Employee Matters and Managing Growth

We are in a period of transition following the appointment of our new president and chief executive officer.

On March 20, 2015, our board of directors appointed Christopher D.T. Guiffre as our President and Chief Executive Officer and elected him as a director, effective immediately. We anticipate that we will experience a transitional period as Mr. Guiffre becomes fully integrated into his new role.

If Mr. Guiffre unexpectedly ceases to fulfill his responsibilities, our business, financial condition, and results of operations could be materially and adversely affected. Moreover, we cannot provide any assurance that this transitional period will not result in a disruption that adversely impacts our business and employee morale.

Paul A. Friedman, M.D., a member of our board of directors, was appointed Executive Chairman of our board effective October 29, 2014 and we anticipate that he will continue in that role for a temporary period.

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

We are highly dependent on our executive team, most of whom have been employed by the company for two years or less. The loss of any member of the executive team could impede the achievement of our goals. Any of our employees 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 finance and sales and marketing personnel will also be critical to our success. The loss of the services of key employees could impede the achievement of our research, development and commercialization objectives and seriously harm our ability to successfully implement our business strategy. Furthermore, replacing executive officers and key employees, including finance and clinical personnel, 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

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 research 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 us.

We expect to expand our development and regulatory capabilities and potentially implement sales, marketing and distribution capabilities, 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 and the limited experience of our management team in managing a company with such anticipated growth, we may not be able to effectively manage the expansion 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 entered into a new lease dated as of July 9, 2015 and are relocating our operations to Waltham, Massachusetts. The process of relocating our facilities could disrupt our operations, adversely affect our business and damage employee morale. In addition, the new location may adversely affect employee retention and recruiting.

We entered into a new lease dated as of July 9, 2015 with AstraZeneca Pharmaceuticals Limited Partnership for approximately 22,992 square feet at the BioHub at 35 Gatehouse Drive in Waltham, Massachusetts. The term of the new lease commences on December 28, 2015 and expires on February 28, 2021. The lease for our laboratory and office space in Cambridge, Massachusetts expires on February 29, 2016. We expect to complete our relocation to Waltham by January 2016. The relocation process is underway, and it could disrupt our operations, adversely affect our business and damage employee morale. In addition, our new location in Waltham may adversely affect employee retention or recruitment.

Risks Related to our Common Stock

The market price of our common stock has been and may in the future be volatile and fluctuate substantially.

Our stock price has been and may in the future be volatile. From April 10, 2014 to September 30, 2015, the closing price of our common stock as reported by the NASDAQ Global Market ranged from a high of $10.87 per share to a low of $3.34 per share. The stock market in general and the market for biopharmaceutical companies in particular have experienced extreme volatility that has often been unrelated to the operating performance of particular companies. The market price for our common stock may be influenced by many factors, including:

- actual or anticipated results from, and any delays in, our clinical trials, including the ongoing and any new ISTs of CRLX101, our ongoing and planned Phase 2 and Phase 3 clinical trials of CRLX101 or our Phase 1 clinical trial of CRLX301, as well as results of regulatory reviews relating to the approval of our product candidates;
- the results of our efforts to discover, develop, acquire or in-license additional product candidates or products;
- failure or discontinuation of any of our development programs;
- the level of expenses related to any of our product candidates or clinical development programs;
- commencement or termination of any collaboration or licensing arrangement;
- disputes or other developments relating to proprietary rights, including patents, litigation matters and our ability to obtain patent protection for our technologies;
- announcements by us or our competitors of significant acquisitions, strategic partnerships, joint ventures and capital commitments;
- additions or departures of key scientific or management personnel;
- variations in our financial results or those of companies that are perceived to be similar to us;
- new products, product candidates or new uses for existing products introduced or announced by our competitors, and the timing of these introductions or announcements;

- results of clinical trials of product candidates of our competitors;
- general economic and market conditions and other factors that may be unrelated to our operating performance or the operating performance of our competitors, including changes in market valuations of similar companies;
- regulatory or legal developments in the United States and other countries;
- changes in the structure of healthcare payment systems;
- conditions or trends in the biotechnology and biopharmaceutical industries;
- actual or anticipated changes in earnings estimates, development timelines or recommendations by securities analysts;
- announcement or expectation of additional financing efforts;
- sales of common stock by us or our stockholders in the future, as well as the overall trading volume of our common stock; and
- the other factors described in this "Risk Factors" section.

In addition, the stock market in general and the market for biotechnology and biopharmaceutical companies in particular have experienced extreme price and volume fluctuations that have often been unrelated or disproportionate to the operating performance of those companies. These broad market and industry factors may seriously harm the market price of our common stock, regardless of our operating performance. In the past, following periods of volatility in companies' stock prices, securities class-action litigation has often been instituted against such companies. Such litigation, if instituted against us, could result in substantial costs and diversion of management's attention and resources, which could materially and adversely affect our business and financial condition.

Our executive officers and directors and their affiliates own a significant percentage of our stock and will be able to exercise significant influence over matters submitted to stockholders for approval.

We believe that as of September 15, 2015, our executive officers and directors and their affiliates beneficially owned 27.5% of our outstanding common stock. As a result, if these stockholders were to choose to act together, they would be able to exert a significant degree of influence over 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 substantially influence the election of directors and approval of any merger, consolidation or sale of all or substantially all of our assets.

This concentration of ownership could:

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

An active trading market for our common stock may not be sustained.

Although we have listed our common stock on The NASDAQ Global Market, an active trading market for our shares may not be sustained. In the absence of an active trading market for our common stock, it may be difficult for our stockholders to sell their shares without depressing the market price for the shares or sell their shares at or above the prices at which they acquired their shares or sell their shares at the times they would like to sell. An inactive trading market for our common stock may also impair our ability to raise capital to continue to fund our operations by selling shares and may impair our ability to acquire other companies or technologies by using our shares as consideration.

A significant portion of our total outstanding shares may be sold into the public market at any point, which could cause the market price of our common stock to drop significantly, even if our business is doing well.

Sales of a substantial number of shares of our common stock in the public market could occur at any time. These sales, or the perception in the market that holders of a large number of shares intend to sell shares, could reduce the market price of our common stock. Our outstanding shares of common stock may be freely sold in the public market at any time to the extent permitted by Rules 144 and 701 under the Securities Act of 1933, as amended, which we refer to as the Securities Act, or to the extent such shares have already been registered under the Securities Act and are held by non-affiliates of ours.

As of September 15, 2015, there were 2,521,772 shares subject to outstanding options. In August 2014, we registered all of these shares under the Securities Act on a registration statement on Form S-8. These shares can be freely sold in the public market

upon exercise, as permitted by any applicable vesting requirements, except to the extent they are held by our affiliates, in which case such shares will become eligible for sale in the public market as permitted by Rule 144 under the Securities Act. Furthermore, as of September 15, 2015, there were 300,564 shares subject to outstanding warrants to purchase common stock. These shares will become eligible for sale in the public market, to the extent such warrants are exercised, as permitted by Rule 144 under the Securities Act. Moreover, holders of approximately 6.3 million shares of our common stock have rights, subject to conditions, to require us to file registration statements covering their shares or to include their shares in registration statements that we may file for ourselves or other stockholders.

We have broad discretion in the use of our cash reserves and may not use them effectively.

Our management has broad discretion to use our cash reserves and could use our cash reserves in ways that do not improve our results of operations or enhance the value of our common stock. The failure by our management to apply these funds effectively could result in financial losses and these financial losses could have a material adverse effect on our business, cause the price of our common stock to decline and delay the development of our product candidates. Pending their use, we may invest our cash reserves in a manner that does not produce income or that loses value.

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

We are an "emerging growth company," as defined in the Jumpstart Our Business Startups Act of 2012, or the JOBS Act, and may remain an emerging growth company through 2019. For so long as we remain an emerging growth company, we are permitted and intend to rely on exemptions from certain disclosure requirements that are applicable to other public companies that are not emerging growth companies. These exemptions include:

- providing only two years of audited financial statements, in addition to any required unaudited interim financial statements, with correspondingly reduced "Management's Discussion and Analysis of Financial Condition and Results of Operations" disclosure;
- not being required to comply with the auditor attestation requirements in the assessment of our internal control over financial reporting;
- not being required to comply with any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;
- reduced disclosure obligations regarding executive compensation; and
- exemptions from the requirements of holding a nonbinding advisory vote on executive compensation and shareholder approval of any golden parachute payments not previously approved.

We may choose to take advantage of some, but not all, of the available exemptions. We cannot predict whether investors will find our common stock less attractive if we rely on these exemptions. If some investors find our common stock less attractive as a result, there may be a less active trading market for our common stock and our stock price may be more volatile.

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

We are currently incurring and expect to continue to incur increased costs as a result of operating as a public company, and our management will be required to devote substantial time to new compliance initiatives and corporate governance practices.

As a newly public company, we are incurring and expect to continue to incur additional significant legal, accounting and other expenses that we did not incur as a private company. We expect that these expenses will further increase after we are no longer an "emerging growth company." We expect that we will need to hire additional accounting, finance and other personnel in connection with our continuing efforts to comply with the requirements of being a public company, and our management and other personnel will need to continue to devote a substantial amount of time towards maintaining compliance with these requirements. In addition, the Sarbanes-Oxley Act of 2002 and rules subsequently implemented by the Securities and Exchange Commission and NASDAQ have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel will need to devote a substantial amount of time to

these compliance initiatives. Moreover, these rules and regulations will increase our legal and financial compliance costs and will make some activities more time-consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, or Section 404, we will be required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. However, while we remain an emerging growth company, we will not be required to include an attestation report on internal control over financial reporting issued by our independent registered public accounting firm. To achieve compliance with Section 404 within the prescribed period, we will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. If we identify one or more material weaknesses, it could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

Because we do not anticipate paying any cash dividends on our capital stock in the foreseeable future, capital appreciation, if any, will be your sole source of gain.

We have never declared or paid cash dividends on our capital stock. We currently plan to retain all of our future earnings, if any, to finance the growth and development of our business. Furthermore, the terms of the Hercules Loan Agreement prohibit us from paying any dividends without the prior written consent of Hercules, and any future debt agreements may also preclude us from paying dividends. Accordingly, capital appreciation, if any, of our common stock will be the sole source of gain for our stockholders for the foreseeable future.

Provisions in our certificate of incorporation, our by-laws or Delaware law might discourage, delay or prevent a change in control of our company or changes in our management and, therefore, depress the trading price of our common stock.

Provisions in our certificate of incorporation, our bylaws or Delaware law may discourage, delay or prevent a merger, acquisition or other change in control 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 our board of directors is responsible for appointing the members of our management team, these provisions might frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our board of directors. Among other things, these provisions:

- establish a classified board of directors such that all members of the board are not elected at one time;
- allow the authorized number of our directors to be changed only by resolution of our board of directors;
- limit the manner in which stockholders can remove directors from the board;
- establish advance notice requirements for nominations for election to the board or for proposing matters that can be acted on at stockholder meetings;
- require that stockholder actions must be effected at a duly called stockholder meeting and prohibit actions by our stockholders by written consent;
- limit who may call a special meeting of stockholders;
- authorize our board 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; and
- require the approval of the holders of at least 75% of the votes that all our stockholders would be entitled to cast to amend or repeal certain provisions of our charter or bylaws.

In addition, we are governed by Section 203 of the Delaware General Corporation Law, which prohibits a publicly-held Delaware corporation from engaging in a business combination with an interested stockholder, generally a person which together with its affiliates owns, or within the last three years has owned, 15% of our voting stock, for a period of three years after the date of the transaction in which the person became an interested stockholder, unless the business combination is approved in a prescribed manner. This could discourage, delay or prevent someone from acquiring or merging with us, whether or not it is desired by, or beneficial to, our stockholders.

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

The trading market for our common stock relies in part on the research and reports that industry or financial analysts publish about us or our business. We do not have any control over these analysts. If one or more of the analysts covering our business downgrade their evaluations of our stock, the price of our stock could decline. In addition, if one or more of these analysts cease coverage of our company or fail to regularly publish reports on us, we could lose visibility in the financial markets, which in turn could cause our stock price or trading volume to decline.

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

Use of Proceeds

We completed the initial public offering of our common stock pursuant to a Registration Statement on Form S-1 (File No. 333-194442), which was declared effective by the SEC on April 10, 2014. The net offering proceeds to us, after deducting underwriting discounts and commissions and offering expenses, were approximately $59.9 million.

As of September 30, 2015, we have used approximately $33.2 million of the net proceeds from our IPO, primarily to fund the clinical development of CRLX101, to fund research and development of CRLX301 and for working capital and other general corporate purposes. We have invested the balance of the net proceeds from the offering in a variety of capital preservation investments, including short-term, investment grade, interest bearing instruments and U.S. government securities in accordance with our investment policy. There has been no material change in our planned use of the net proceeds from our IPO as described in our final prospectus filed with the SEC pursuant to Rule 424(b)(4) under the Securities Act.

Item 6. Exhibits.

The exhibits listed in the Exhibit Index to this Quarterly Report on Form 10-Q are incorporated herein by reference.

SIGNATURES

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

CERULEAN PHARMA INC.

Date: November 16, 2015

By: /s/ Christopher D.T. Guiffre

Christopher D.T. Guiffre
President and Chief Executive Officer
(principal executive officer)

Date: November 16, 2015

By: /s/ Gregg Beloff

Gregg Beloff
Interim Chief Financial Officer
(principal financial officer)

EXHIBIT INDEX

Exhibit Number	Description of Exhibit	Incorporated by Reference			Exhibit Number	Filed Herewith
		Form	File Number	Date of Filing		
10.1	Transition and Separation Agreement, dated September 4, 2015, between the Registrant and Edward Garmey, M.D.					X
10.2	Consulting Agreement, dated September 4, 2015, between the Registrant and Edward Garmey, M.D.					X
10.3	Employment Agreement, dated September 4, 2015, between the Registrant and Adrian Senderowicz, M.D.					X
10.4	Lease, dated July 9, 2015, between the Registrant and AstraZeneca Pharmaceuticals Limited Partnership	10-Q	001-36395	August 6, 2015	10.1	
31.1	Certification of principal executive officer pursuant to Rule 13a 14(a)/15d 14(a) of the Securities Exchange Act of 1934, as amended					X
31.2	Certification of principal financial officer pursuant to Rule 13a-14(a)/15d-14(a) of the Securities Exchange Act of 1934, as amended					X
32.1	Certification of principal executive officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
32.2	Certification of principal financial officer pursuant to 18 U.S.C. §1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002					X
101.INS	XBRL Instance Document*					X
101.SCH	XBRL Taxonomy Extension Schema Document*					X
101.CAL	XBRL Taxonomy Calculation Linkbase Document*					X
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document*					X
101.LAB	XBRL Taxonomy Label Linkbase Document*					X
101.PRE	XBRL Taxonomy Presentation Linkbase Document*					X

* Submitted electronically herewith

SEPARATION AGREEMENT

This Separation Agreement (the "Agreement") is made as of September 4, 2015 by and between Cerulean Pharma Inc. (the "Company") and Edward Garmey, M.D. ("Dr. Garmey") (collectively, the "Parties").

WHEREAS, the Company and Dr. Garmey are parties to the Employment Agreement dated as of July 21, 2014 (the "Employment Agreement") under which Dr. Garmey currently serves as Chief Medical Officer and Senior Vice President of the Company;

WHEREAS, Dr. Garmey desires to resign from the Company; and

WHEREAS, the Parties agree that the Employment Agreement shall be null and void on the date this Agreement becomes effective and enforceable and wish to establish the terms of Dr. Garmey's separation from the Company;

NOW, THEREFORE, in consideration of the promises and conditions set forth below, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. Resignation from Employment and Officer Positions.

(a) Resignation from Employment and Officer Positions – As of the date this Agreement becomes effective and enforceable (the "Separation Date"), Dr. Garmey shall resign from any positions that he holds as an officer of the Company. As of the Separation Date, Dr. Garmey shall resign from employment with the Company. Dr. Garmey will execute and deliver any documents reasonably necessary to effectuate such resignations, provided that nothing in any such document is inconsistent with any terms set forth in this Agreement. Dr. Garmey hereby irrevocably appoints the Company to be his attorney-in-fact to execute any documents and do anything in his name to effect such resignations in the event that Dr. Garmey fails to promptly submit them in accordance with the terms hereof or execute any documents requested by the Company to effectuate such resignations. A written notification signed by a director or duly authorized officer of the Company that any instrument, document or act falls within the authority conferred by this subsection will be conclusive evidence that it does so. The Company will prepare any documents, pay any filing fees, and bear any other expenses related to the above.

2. Severance Benefits – In return for Dr. Garmey's execution and non-revocation of this Agreement and compliance with the terms hereof, the Company will provide Dr. Garmey with the following severance benefits (the benefits set forth in Sections 2(a) through 2(c) below are referred to herein collectively as the "Severance Benefits"):

(a) Severance – The Company will provide Dr. Garmey with severance in an amount equal to six (6) months of pay at Dr. Garmey's current base salary rate, less all applicable taxes and withholdings. The severance will be paid to Dr. Garmey in equal installments in accordance with the Company's regular payroll practices;

provided, however, that the first payment shall not be made until the first regular payroll date following the Separation Date.

(b) Group Health Insurance – Should Dr. Garmey be eligible for and timely elect to continue receiving group health insurance coverage under the law known as COBRA, the Company shall, until the earlier of (x) the date that is six (6) months following the Separation Date, or (y) the date that Dr. Garmey becomes eligible for group health coverage through a new employer (as applicable, the "COBRA Contribution Period"), pay on Dr. Garmey's behalf the share of the premium for such coverage that it currently pays on behalf of active and similarly situated employees with the same type of coverage. The remaining balance of any premium costs, and all premium costs after the COBRA Contribution Period, shall be paid by Dr. Garmey on a monthly basis during the elected period of health insurance coverage under COBRA for as long as, and to the extent that, he remains eligible for COBRA continuation. Dr. Garmey will notify the Company in writing at least five (5) days prior to the date on which he becomes eligible to receive group health insurance coverage through another employer, if that date is prior to the date that is six (6) months following the Separation Date.

(c) Extension of Option Exercise Date – Effective as of the Separation Date, the Company will extend until the date that is twelve (12) months following the Separation Date the period during which Dr. Garmey may exercise any vested stock options that he holds pursuant to any stock option agreement evidencing the grant of such options (each, an "Option Agreement"), pursuant to the terms of such Option Agreement(s) and the Company's 2007 Stock Incentive Plan and 2014 Stock Incentive Plan, as applicable, provided that in no event shall Dr. Garmey be able to exercise any option beyond the Final Exercise Date for such option, as set forth in the applicable Option Agreement. Dr. Garmey understands that the stock options subject to this extended exercise period shall cease to be treated for tax purposes as incentive stock options as of the date hereof. Dr. Garmey further understands that, as a result of the loss of incentive stock option status of the affected options, the Company will be required to withhold applicable income and employment taxes at the time of exercise of such options.

Notwithstanding any term of any outstanding stock option held by Dr. Garmey or in any other agreement between the Company and Dr. Garmey, any and all such stock options shall cease vesting as of the Separation Date and will remain exercisable for a period of one year following the Separation Date, but not for any period thereafter (and in no event may the exercise period for any stock option be extended beyond the Final Exercise Date for such stock option).

Other than the Severance Benefits, and fees payable to Dr. Garmey pursuant to that certain Consulting Agreement of even date herewith, Dr. Garmey will not be eligible for, nor shall he have a right to receive, any payments or benefits from the Company following the Separation Date.

3. Release by Dr. Garmey. In exchange for the consideration set forth herein, which Dr. Garmey acknowledges he would not otherwise be entitled to receive, Dr. Garmey hereby fully, forever, irrevocably and unconditionally releases, remises and discharges the Company, its affiliates, subsidiaries, parent companies, predecessors, and successors, and all of its and their respective past and present officers, directors, stockholders, investors, partners, members, managers, employees, agents, representatives, plan administrators, attorneys, insurers and fiduciaries (each in their individual and corporate capacities) (collectively, the "Released Parties") from any and all claims, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature that he ever had or now has against any or all of the Released Parties, whether known or unknown, including, but not limited to, any and all claims arising out of or relating to his employment with and/or separation from the Company, including, but not limited to, all claims under Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 2000e et seq., the Americans With Disabilities Act of 1990, 42 U.S.C. § 12101 et seq., the Age Discrimination in Employment Act, 29 U.S.C. § 621 et seq., the Genetic Information Nondiscrimination Act of 2008, 42 U.S.C. § 2000ff et seq., the Family and Medical Leave Act, 29 U.S.C. § 2601 et seq., the Worker Adjustment and Retraining Notification Act ("WARN"), 29 U.S.C. § 2101 et seq., the Rehabilitation Act of 1973, 29 U.S.C. § 701 et seq., Executive Order 11246, Executive Order 11141, the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq., and the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. § 1001 et seq., all as amended; all claims arising out of the Massachusetts Fair Employment Practices Act, Mass. Gen. Laws ch. 151B, § 1 et seq., the Massachusetts Wage Act, Mass. Gen. Laws ch. 149, § 148 et seq. (Massachusetts law regarding payment of wages and overtime), the Massachusetts Civil Rights Act, Mass. Gen. Laws ch. 12, §§ 11H and 11I, the Massachusetts Equal Rights Act, Mass. Gen. Laws. ch. 93, § 102 and Mass. Gen. Laws ch. 214, § 1C, the Massachusetts Labor and Industries Act, Mass. Gen. Laws ch. 149, § 1 et seq., Mass. Gen. Laws ch. 214, § 1B (Massachusetts right of privacy law), the Massachusetts Maternity Leave Act, Mass. Gen. Laws ch. 149, § 105D, and the Massachusetts Small Necessities Leave Act, Mass. Gen. Laws ch. 149, § 52D, all as amended; all common law claims including, but not limited to, actions in defamation, intentional infliction of emotional distress, misrepresentation, fraud, wrongful discharge, and breach of contract (including, without limitation, all claims arising out of or related to the Employment Agreement); all claims to any non-vested ownership interest in the Company, contractual or otherwise; all state and federal whistleblower claims to the maximum extent permitted by law; and any claim or damage arising out of his employment with and/or separation from the Company (including a claim for retaliation) under any common law theory or any federal, state or local statute or ordinance not expressly referenced above; provided, however, that (a) nothing in this Agreement prevents Dr. Garmey from filing a charge with, cooperating with, or participating in any proceeding before the Equal Employment Opportunity Commission or a state fair employment practices agency (except that he acknowledges that he may not recover any monetary benefits in connection with any such claim, charge or proceeding, and explicitly waives any rights or claims to any payment, benefit, attorneys' fees or other remedial relief in connection with any such claim, charge or proceeding and agrees that if any such complaint, charge, or proceeding is filed on his behalf, he shall take all reasonable steps necessary to refuse any damages or individualized relief in connection therewith), and (b) nothing herein shall prevent Dr. Garmey from bringing claims to enforce this Agreement. Further, nothing herein shall release any rights Dr. Garmey may have under the Company's certificate of incorporation, by-laws, insurance and/or any indemnification agreement between him and the Company (and/or otherwise under law) for indemnification as an officer of the Company for his service to the Company (recognizing that such indemnification is not guaranteed by this Agreement and shall be governed by the instrument or law, if any, providing for such indemnification), or any rights he may have to vested ownership, pension or 401(k) benefits or interests.

4. Release by the Company. In exchange for the consideration set forth herein, the Company hereby fully, forever, irrevocably and unconditionally releases, remises and discharges Dr. Garmey from any and all claims, complaints, demands, actions, causes of action, suits, rights, debts, sums of money, costs, accounts, reckonings, covenants, contracts, agreements, promises, doings, omissions, damages, executions, obligations, liabilities, and expenses (including attorneys' fees and costs), of every kind and nature, whether known or unknown, that it ever had or now has against Dr. Garmey, including, but not limited to, any and all claims arising out of or relating to Dr. Garmey's employment with and/or separation from the Company; provided, however, that notwithstanding the foregoing, nothing in this release (a) releases Dr. Garmey from his continuing obligations as set forth in Section 5 below, (b) shall prevent the Company from bringing claims to enforce this Agreement, or (c) releases Dr. Garmey from any claims for fraud or embezzlement, or from any civil claims based on any acts and/or omissions that satisfy the elements of a criminal offense, or from any claims arising out of any deliberate misconduct by him that results or resulted in material injury to the Company.

5. Continuing Obligations. Dr. Garmey acknowledges and reaffirms his obligation to keep confidential and not to use or disclose, at any time after the Separation Date, any and all non-public information concerning the Company that he acquires or acquired during the course of his employment with the Company, including, but not limited to, any non-public information concerning the Company's business affairs, clinical trials, research and development, regulatory strategy or financial condition. Dr. Garmey further acknowledges his ongoing obligations set forth in the Invention and Non-Disclosure Agreement previously executed in connection with his employment by the Company, which continue in full force and effect, with the sole exception of the post-employment restrictions set forth in paragraph 6(a) of the Invention and Non-Disclosure Agreement.

6. Return of Company Property. Dr. Garmey will, on the Separation Date or earlier if requested by the Company, return to the Company all keys, files, records (and copies thereof), equipment (including, but not limited to, computer hardware, software and printers, wireless handheld devices, etc.), Company identification and any other

Company-owned property in his possession or control and that he will leave intact all electronic Company documents, including but not limited to those that he developed or helped to develop during his employment. In addition, Dr. Garmey will, on the Separation Date or earlier if requested by the Company, cancel all accounts for his benefit, if any, in the Company's name, including but not limited to, credit cards, telephone charge cards, cellular phone and/or wireless data accounts and computer accounts. Notwithstanding the foregoing, Dr. Garmey may retain the laptop and cellphone provided to him by the Company, provided that both are wiped clean of any Company confidential information and with the understanding that any Company-sponsored service plans or licenses associated with such laptop or cellphone shall be terminated as of the Separation Date.

7. Amendment. This Agreement shall be binding upon the Parties and may not be abandoned, supplemented, changed or modified in any manner, orally or otherwise, except by an instrument in writing of concurrent or subsequent date signed by duly authorized representatives of the Parties. This Agreement is binding upon and shall inure to the benefit of the Parties and their respective agents, assigns, heirs, executors, successors and administrators.

8. Waiver of Rights. No delay or omission by either Party in exercising any rights under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by either Party on any one occasion shall be effective only in that instance and shall not be construed as a bar to or waiver of any right on any other occasion.

9. Validity. Should any provision of this Agreement be declared or be determined by any court of competent jurisdiction to be illegal or invalid, the validity of the remaining parts, terms, or provisions shall not be affected thereby and said illegal or invalid part, term or provision shall be deemed not to be a part of this Agreement.

10. Cooperation. Dr. Garmey will cooperate fully with the Company, to the extent permitted by law, in the investigation, defense or prosecution of any claims or actions now in existence or that may be brought in the future against the Company by any third party or by or on behalf of the Company against any third party. Dr. Garmey's full cooperation in connection with such claims or actions will include being available to meet with the Company's counsel, at reasonable mutually agreed upon times and locations, to prepare for discovery, any mediation, arbitration, trial, administrative hearing or other proceeding, and to act as a witness when requested by the Company. Dr. Garmey will, to the extent permitted by law, notify the Company promptly in the event that he is served with a subpoena or in the event that he is asked to provide a third party with information concerning any actual or potential complaint or claim against the Company. Nothing herein shall be construed as restricting Dr. Garmey's right to truthfully testify in any proceeding in which he is subpoenaed to do so. The Company will (a) compensate Dr. Garmey at a reasonable hourly rate for any time he is required to spend to comply with any request by the Company for cooperation hereunder, provided that the Company shall not pay Dr. Garmey for time spent providing testimony in any arbitration, trial, administrative hearing or other

proceeding, and (b) reimburse Dr. Garmey for all reasonable and documented out-of-pocket costs that he incurs to comply with this paragraph.

11. Nature of Agreement. This Agreement is not and shall not in any way be construed as an admission of liability or wrongdoing on the part of either Party.

12. Time for Consideration. To be eligible to receive the Severance Benefits, Dr. Garmey must sign and return this Agreement on or before September 25, 2015.

13. Acknowledgments. Dr. Garmey acknowledges that he has been given twenty-one (21) days following his receipt of this Agreement to consider this Agreement, and that the Company is hereby advising him to consult with an attorney of his own choosing prior to signing this Agreement. Dr. Garmey understands that he may revoke this Agreement for a period of seven (7) days after he signs it by notifying the Company in writing, and this Agreement shall not be effective or enforceable until the expiration of this seven (7) day revocation period. Dr. Garmey understands and agrees that by entering into this Agreement, he will be waiving any and all rights or claims he might have under the Age Discrimination in Employment Act, as amended by the Older Workers Benefit Protection Act, and that he will be eligible to receive consideration beyond that to which he was previously entitled.

14. Voluntary Assent. Dr. Garmey affirms that no other promises or agreements of any kind have been made to or with him by any person or entity whatsoever to cause him to sign this Agreement, and that he fully understands the meaning and intent of this Agreement. Dr. Garmey acknowledges that he had an opportunity to fully discuss and review the terms of this Agreement with an attorney of his own choosing prior to signing this Agreement. Dr. Garmey further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof and signs his name of his own free act.

15. Tax Provision. In connection with the Severance Benefits and any other monetary payments to be provided to Dr. Garmey pursuant to this Agreement, the Company shall withhold and remit to the tax authorities the amounts required under applicable law, and Dr. Garmey shall be responsible for all applicable taxes with respect to such Severance Benefits and other payments under applicable law. The Parties intend that the payments and benefits provided for under this Agreement shall be either exempt from or compliant with Section 409A of the Internal Revenue Code. Notwithstanding the foregoing, Dr. Garmey acknowledges that he is not relying upon advice or representation of the Company with respect to the tax treatment of any of the Severance Benefits or other payments.

16. Applicable Law. This Agreement shall be interpreted and construed by the laws of the Commonwealth of Massachusetts, without regard to conflict of laws provisions. Dr. Garmey hereby irrevocably submits to the jurisdiction of the courts of the Commonwealth of Massachusetts, or if appropriate, a federal court located in the Commonwealth of Massachusetts (which courts, for purposes of this Agreement, are

the only courts of competent jurisdiction), over any suit, action or other proceeding arising out of, under, or in connection with this Agreement or the subject matter thereof.

17. Entire Agreement. Subject to the immediately following sentence, this Agreement, upon its effective date, and the Invention and Non-Disclosure Agreement contain and constitute the entire understanding and agreement between the Parties hereto with respect to Dr. Garmey's employment with and separation from the Company, Severance Benefits and the settlement of claims against the Company, and cancels all previous oral and written negotiations, agreements, commitments and writings in connection therewith. This Agreement supersedes and cancels any prior employment agreements or arrangements Dr. Garmey may have entered into with the Company, including, without limitation, the Employment Agreement (which, for the avoidance of doubt, shall be of no force or effect following the date this Agreement becomes effective and enforceable), provided, however, that nothing in this Section shall modify, cancel or supersede Dr. Garmey's obligations set forth in Section 5 above, or the Company's obligations with respect to vested stock options (as modified by Section 2(c) above).

18. Counterparts. This Agreement will be executed in duplicate such that each Party will retain a fully-executed original and each original may be executed in two (2) signature counterparts, each of which shall constitute an original, but all of which taken together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the Parties have set their hands and seals to this Agreement as of the date(s) written below.

Cerulean Pharma Inc.

/s/ Christopher D. T. Guiffre Date: September 4, 2015
By: President and Chief Executive Officer

I hereby agree to the terms and conditions set forth above.

Edward Garmey, M.D.

/s/ Edward Garmey Date: September 4, 2015

CONSULTING AGREEMENT

THIS CONSULTING AGREEMENT (together with its attachment, the "Agreement") made as of September 4, 2015 (the "Effective Date") is between Cerulean Pharma Inc., a Delaware corporation having an address at 840 Memorial Drive, 5th Floor, Cambridge, MA 02139 ("Cerulean") and Edward Garmey, M.D., an individual having an address at 330 Main Street, Concord, MA 01742 ("Consultant"). Cerulean desires to have the benefit of Consultant's knowledge and experience, and Consultant desires to provide Consulting Services (defined below) to Cerulean, all as provided in this Agreement.

1. **Consulting Services**. Cerulean retains Consultant and Consultant will provide consulting services to Cerulean as it may from time to time reasonably request and as further specified in the business terms exhibit ("Business Terms Exhibit") attached to this Agreement (the "Consulting Services"). Any changes to the Consulting Services and/or any compensation adjustments in respect of the Consulting Services must be agreed upon in writing between Consultant and Cerulean.

1.1 **Performance**. Consultant will render the Consulting Services (a) at such reasonably convenient times and places as Cerulean and Consultant may agree, (b) under the general guidance of Cerulean and (c) on a best efforts basis. In performing the Consulting Services, Consultant will comply with all business conduct, regulatory and health and safety guidelines or regulations established by Cerulean or any governmental authority with respect to the business of Cerulean.

1.2 **Obligations to Third Parties**. Consultant will not use or disclose any confidential information of any other third party in connection with any of the Consulting Services. Further, Consultant represents that the performance of the Consulting Services does not and will not breach any agreement which obligates Consultant to keep in confidence any confidential information of any third party or to refrain from competing with the business of any third party.

1.3 **No Conflicts.** Consultant is under no contractual or other obligation or restriction which is inconsistent with Consultant's execution of this Agreement or the performance of the Consulting Services. During the term of this Agreement, Consultant will not enter into any agreement, either written or oral, in conflict with Consultant's obligations under this Agreement. Consultant will arrange to provide the Consulting Services in such manner and at such times that the Consulting Services will not conflict with Consultant's responsibilities under any other agreement, arrangement or understanding or pursuant to any employment relationship Consultant has at any time with any third party. Consultant represents and warrants to Cerulean that the Developments do not violate the intellectual property rights of any third party.

1.4 **Absence of Debarment.** Consultant represents that Consultant has not been suspended, debarred or subject to temporary denial of approval, and to the best of Consultant's knowledge, is not under consideration to be suspended, debarred or subject to temporary denial of approval, by the Food and Drug Administration from working in or providing services, directly or indirectly, to any applicant for approval of a drug product or any pharmaceutical or biotechnology company under the Generic Drug Enforcement Act of 1992.

2. **Compensation**. In consideration for the Consulting Services rendered by Consultant to Cerulean, Cerulean will pay Consultant as set forth in the Business Terms Exhibit. All undisputed payments will be

made by Cerulean within thirty (30) days from Cerulean's receipt of Consultant's invoice. Invoices will contain such detail as Cerulean may reasonably require and will be payable in U.S. Dollars. Cerulean will reimburse Consultant for reasonable business expenses incurred by Consultant in the performance of the Consulting Services; provided that they are pre-approved by Cerulean.

3. Proprietary Rights.

3.1 Developments. "Developments" means ideas, concepts, discoveries, inventions, developments, improvements, know-how, trade secrets, designs, processes, methodologies, materials, products, formulations, data, documentation, reports, algorithms, notation systems, computer programs, works of authorship, databases, mask works, devices, equipment and any other creations (whether or not patentable or subject to copyright or trade secret protection) that are developed or conceived or reduced to practice by Consultant, either alone or jointly with others, and that result from or relate to the performance of the Consulting Services.

3.2 Ownership. All Developments will be the exclusive property of Cerulean. Consultant hereby assigns and, to the extent any such assignment cannot be made at present, hereby agrees to assign and assigns to Cerulean, without further compensation, all right, title and interest in and to all Developments and any and all related patents, patent applications, copyrights, copyright applications, trademarks, trade names, trade secrets and other proprietary rights in the United States and throughout the world. During and after the term of this Agreement, Consultant will cooperate fully in obtaining patent and other proprietary protection for the Developments, all in the name of Cerulean and at Cerulean's cost and expense, and, without limitation, will execute and deliver all requested applications, assignments and other documents, and take such other measures as Cerulean may reasonably request, in order to perfect and enforce Cerulean's rights in the Developments. Consultant appoints Cerulean its attorney to execute and deliver any such documents on Consultant's behalf in the event Consultant fails to do so.

3.3 Records and Reporting. Consultant shall make and maintain adequate and current written records of all Developments. Such records shall be furnished to Cerulean as and when requested by Cerulean and will be the exclusive property of Cerulean. Consultant will promptly disclose all Developments to Cerulean.

3.4 Work at Third Party Facilities. Consultant will not make any use of any funds, personnel, equipment, facilities or other resources of any third party in performing the Consulting Services nor to take any other action that would result in a third party owning or having a right in any Developments.

4. Confidential Information and Materials.

4.1 Definitions. "Confidential Information" means any and all non-public information of Cerulean, including information that is developed by Consultant in the performance of the Consulting Services as well as information of third parties that Cerulean has an obligation to maintain, which collectively pertain to Cerulean's technologies, products, intellectual property, finances, operations and/or business, and whether or not labeled as being confidential information of Cerulean. "Materials" means any biological, chemical or similar materials of Cerulean which are furnished by Cerulean to Consultant in order to perform the Consulting Services. If the provision of Materials is contemplated under this Agreement, the Materials to be provided are so identified in the Business Terms Exhibit.

4.2 **Obligations of Confidentiality**. During the term of this Agreement and thereafter, Consultant will not directly or indirectly (a) publish, disseminate or otherwise disclose, (b) use for Consultant's own benefit or for the benefit of a third party or (c) deliver or make available to any third party, any Confidential Information or Materials, other than in furtherance of the purposes of this Agreement and only then with the prior written consent of Cerulean. Consultant will exercise all reasonable precautions to physically protect the integrity and confidentiality of the Confidential Information and Materials and will not remove any Confidential Information or Materials from Cerulean's premises, other than in furtherance of the purposes of this Agreement and then only with Cerulean's prior written consent.

4.3 **Exceptions.** Consultant will have no obligations of confidentiality and non-use with respect to any portion of the Confidential Information which:

(a) is or later becomes generally available to the public by use, publication or the like, through no act or omission of Consultant;

(b) is obtained from a third party without an obligation of confidentiality and such third party had the legal right to disclose the same to Consultant; or

(c) Consultant already possesses, as evidenced by its written records that predate the receipt thereof from Cerulean.

In the event that Consultant is required (by oral questions, interrogatories, request for information or documents, subpoena, civil investigative demand or similar process) to disclose any Confidential Information, Consultant will give Cerulean prompt notice thereof so that Cerulean may seek an appropriate protective order. Consultant will reasonably cooperate with Cerulean in its efforts to seek such a protective order.

4.4 **Remedies**. Consultant acknowledges that Cerulean may be irreparably injured by a breach of this Section 4; that money damages would not be an adequate remedy for any such breach; and that Cerulean will be entitled to seek equitable relief, including injunctive relief and specific performance, without having to post a bond, as a remedy for any such breach, and such remedy will not be Cerulean's exclusive remedy for any breach of this Section 4.

5.Term and Termination.

5.1 **Term**. This Agreement will commence on the Effective Date and continue for the term specified on the Business Terms Exhibit, unless sooner terminated pursuant to the express terms of this Section 5 or extended by mutual written agreement of the parties.

5.2 **Termination by Either Party**. Either party may terminate this Agreement at any time without Cause (as defined in Section 5.3) upon not less than thirty (30) days prior written notice to the other party.

5.3 **Termination for Breach.** Cerulean may immediately terminate this Agreement at any time upon written notice to Consultant in the event of a breach of this Agreement by Consultant which cannot be cured (e.g., a breach of Section 4) or in the event that Consultant is accused of a crime or unethical conduct. In addition, Cerulean may terminate this Agreement for Cause at any time upon three (3) days prior written notice to Consultant. "Cause" shall mean

(a) a breach by Consultant of this Agreement where such breach can be cured and is not remedied within such three (3) day notice period, (b) the Consultant's inability to perform the Consulting Services due to mental or physical illness as determined by a physician selected by Cerulean and acceptable to Consultant or (c) a determination by Cerulean in its sole discretion that Consultant's performance of the Consulting Services is unsatisfactory, which unsatisfactory performance is not remedied within such three (3) day period.

5.4 **Effect of Expiration/Termination.** Upon any expiration or termination of this Agreement, for any reason, neither Consultant nor Cerulean will have any further obligations under this Agreement, except that (a) Consultant will terminate all Consulting Services in progress in an orderly manner and as otherwise requested by Cerulean, (b) Cerulean will pay Consultant any monies due and owing Consultant for Consulting Services actually performed up to the time of expiration or termination of this Agreement, including any orderly completion of the Consulting Services requested by Cerulean, (c) Consultant will immediately return to Cerulean all Confidential Information provided to Consultant under this Agreement except for one (1) copy which Consultant may retain solely for legal archival purposes, (d) Consultant will immediately return to Cerulean all unused Materials provided to Consultant under this Agreement, (e) Consultant will immediately deliver to Cerulean all Developments and records of Developments, and (f) the terms and conditions of Sections 1.3, 3, 4, 5.4 and 6 will survive expiration or termination of this Agreement.

6. Miscellaneous.

6.1 **Independent Contractor**. All Consulting Services will be rendered by Consultant as an independent contractor and this Agreement does not create an employer-employee, principal-agent, joint venture or partnership relationship between Consultant and Cerulean. Consultant will have no right to receive any employee benefits, such as health and accident insurance, sick leave or vacation which are accorded to employees of Cerulean. Consultant will not in any way represent Consultant to be an employee, partner, joint venturer or agent of Cerulean. Consultant shall be solely responsible for all state and federal income taxes, unemployment insurance and social security taxes, and for maintaining adequate workers' compensation insurance coverage.

6.2 **Taxes.** Consultant will pay all required taxes on Consultant's income from Cerulean under this Agreement. Consultant shall provide Cerulean with all required tax information, including without limitation, an IRS Form W-9 "Request for Taxpayer Identification Number and Certification." Failure to provide such information may result in withholding of payments to Consultant.

6.3 **Use of Name**. Consultant consents to the use by Cerulean of Consultant's name in written materials and oral presentations to current or prospective business partners, investors or other third parties, provided that such materials or presentations accurately describe the nature of Consultant's relationship with or contribution to Cerulean.

6.4 **Assignability and Binding Effect**. The Consulting Services to be rendered by Consultant are personal in nature. Consultant may not assign or transfer this Agreement or any of Consultant's rights or obligations under this Agreement. Cerulean shall have the right to assign this Agreement to an affiliated company or in connection with the merger, consolidation, sale or transfer of all or substantially all of the business to which this Agreement relates. This Agreement will be binding upon and inure to the benefit of the parties and their respective legal representatives, heirs, successors and permitted assigns.

6.5 **Notices.** Any notices from one party to the other will be in writing and will be given by addressing the same to the other at the address set forth in this Agreement. Notices to Cerulean will be marked "General Counsel". Notice will be deemed to have been duly given when (a) deposited in the United States mail with proper postage for first class registered or certified mail, return receipt requested, (b) sent by any reputable commercial courier, or (c) delivered personally.

6.6 **Headings.** The section headings are included solely for convenience of reference and will not control or affect the meaning or interpretation of any of the provisions of this Agreement.

6.7 **No Modification.** This Agreement may be changed only by a writing signed by both parties.

6.8 **Severability.** In the event that any one or more of the provisions contained in this Agreement shall, for any reason, be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability will not affect any other provisions of this Agreement, and all other provisions will remain in full force and effect. If any provision of this Agreement is held to be excessively broad, it will be reformed and construed by limiting and reducing it so as to be enforceable to the maximum extent permitted by law.

6.9 **Entire Agreement.** This Agreement and that certain Separation Agreement by and between Cerulean and Consultant of even date herewith constitutes the entire agreement of the parties with regard to its subject matter, and supersedes all previous written or oral representations, agreements and understandings between the parties.

6.10 **Governing Law**. This Agreement will be governed by, and construed and enforced in accordance with, the laws of the Commonwealth of Massachusetts applicable to contracts made and to be performed therein, without giving effect to the principles thereof relating to the conflict of laws.

6.11 **Counterparts**. This Agreement may be executed in any number of counterparts which may be in the form of a facsimile or a pdf, each of which will be deemed an original, and together will constitute one and the same instrument.

[Signature page follows]

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

CERULEAN PHARMA INC.		**CONSULTANT**
By:	/s/ Christopher D. T. Guiffre	/s/ Edward Garmey
Name:	Christopher D. T. Guiffre	Edward Garmey, M.D.
Title:	President & Chief Executive Officer	

EXHIBIT A

BUSINESS TERMS EXHIBIT

Industry Consulting Agreement with Edward Garmey, M.D.

1. Consulting Services:

Consultant will render advice to Cerulean as a member of Cerulean's Medical Advisory Board. Consulting Services will be rendered at one or more meetings of the Medical Advisory Board. Additional Consulting Services may be performed on an ad hoc basis, as determined by mutual arrangement between Consultant and Cerulean's Chief Medical Officer, to whom Consultant will report during the term of this Agreement.

2. Compensation:

In consideration for the Consulting Services, Consultant will be paid $425 per hour.

3. Term:

This Agreement will be for an initial term of one (1) year, beginning on the Effective Date, and may be extended for additional periods, at Cerulean's option and with Consultant's consent.

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (the "Agreement"), made this 4th day of September, 2015, is entered into by Cerulean Pharma Inc., a Delaware corporation with its principal place of business at 840 Memorial Drive, 5th Floor, Cambridge, MA 02139 (the "Company"), and Adrian Senderowicz, M.D. (the "Employee") with the address at 7 Park Avenue, Unit 1, Somerville, MA 02144.

The Company desires to employ the Employee and the Employee desires to be employed by the Company. In consideration of the mutual covenants and promises contained herein, and other good and valuable consideration, the receipt and sufficiency of which are acknowledged by the parties hereto, the parties agree as follows:

1. Term of Employment. The Company hereby agrees to employ the Employee and the Employee hereby accepts employment with the Company, upon the terms set forth in this Agreement, commencing on September 4, 2015 (the "Commencement Date"). There shall be no definite term of employment, and the Employee's employment shall be at-will such that both the Company and the Employee remain free to end the employment relationship for any reason, at any time, with or without notice.

2. Title and Capacity. As of the Commencement Date, the Employee shall serve as Senior Vice President & Chief Medical Officer of the Company and shall report to the President & Chief Executive Officer of the Company. The Employee shall be based at the Company's headquarters in Cambridge, Massachusetts until the end of December 2015 at which point the Employee will be based at the Company's new headquarters located in Waltham, Massachusetts.

The Employee agrees to undertake the duties and responsibilities inherent in such position and such other duties and responsibilities as the President & Chief Executive Officer

shall from time to time reasonably assign to him. The Employee agrees to devote his entire business time, attention and energies to the business and interests of the Company. The Employee agrees to abide by the rules, regulations, instructions, personnel practices and policies of the Company and any changes therein that may be adopted from time to time by the Company. Notwithstanding the foregoing, the Employee may participate in charitable or civic organizations, as may be approved by the Company. Company acknowledges and agrees that Employee is a member of the board of directors of Puma Technologies, Inc. and may continue to serve on that board while Employee is an executive officer of the Company.

3. Compensation and Benefits.

3.1 Base Salary. As of the Commencement Date, the Company shall pay the Employee, in accordance with the Company's regular payroll practices, a base salary at the annualized rate of $390,000, payable at the rate of $16,250 on a semi-monthly basis, subject to adjustment thereafter by the Board of Directors of the Company (the "Board") or the President & Chief Executive Officer.

3.2 Bonus.

(a) The Employee will be eligible to receive a performance-based annual bonus for each fiscal year in which he is employed by the Company in the capacity of Senior Vice President & Chief Medical Officer. This bonus shall be based upon reasonably attainable annual quantitative and qualitative performance objectives established by the Board or the President & Chief Executive Officer. The Employee's annual bonus level target shall be set at forty percent (40%) of the Employee's base salary for the currently applicable fiscal year and shall be subject to adjustment thereafter by the Board or the President & Chief Executive Officer. The Board or the President & Chief Executive Officer will determine, in its sole discretion,

based upon its review of the achievement of the performance objectives for a given fiscal year, whether (and in what amount) a bonus award is payable to the Employee. Any bonus awarded to the Employee for fiscal year 2015 will be prorated for the Employee's length of service within such year; provided, however, that notwithstanding the Commencement Date, the Board or President & Chief Executive Officer, as applicable, shall determine the Employee's 2015 annual bonus, if any, as if the Employee had commenced employment with the Company on January 1, 2015. To be eligible to receive a bonus award, the Employee must be an active employee on the date any such bonuses are distributed, as it also serves as an incentive to remain employed by the Company.

3.3 Employee Benefits. The Employee shall be entitled to participate in all benefit plans and programs that the Company establishes and makes available to its employees to the extent that the Employee is eligible under (and subject to the provisions of) the plan documents governing those programs. The Employee shall be entitled to twenty (20) days paid vacation per year plus personal days and paid holidays generally offered by the Company to its employees, each to be administered in accordance with Company policy. The Employee will be provided the same indemnification protections provided to other executive officers of the Company, in accordance with the Company's bylaws and applicable law.

3.4 Reimbursement of Expenses. The Company shall reimburse the Employee for all reasonable travel, entertainment and other expenses incurred or paid by the Employee in connection with, or related to, the performance of his duties, responsibilities or services under this Agreement in accordance with the Company's expense reimbursement policies. The reimbursement of expenses hereunder shall be subject to the terms and conditions set forth in Section 19(e) of this Agreement.

3.5 Equity. Subject to Board approval and the terms of the Company's 2014 Stock Incentive Plan, the Company will grant the Employee an option to purchase 135,000 shares of common stock of the Company $.0001 par value per share ("Common Stock") at an exercise price equal to the fair market value of the Common Stock on the date of grant (the "Option"). Twenty-five percent (25%) of the shares subject to the Option shall vest on the first anniversary of the Commencement Date subject to the Employee's continuing employment with the Company and the remainder of the shares shall vest monthly over the next thirty-six (36) months, in equal monthly amounts, subject to the Employee's continuing employment with the Company. For the avoidance of doubt, the Option is in addition to that certain nonqualified stock option granted to Employee pursuant to the Consulting Agreement by and between the Company and Oncology Drug Development, LLC effective as of May 18, 2015 (the "Consulting Agreement"), which nonqualified stock option will continue to vest in accordance with its terms and pursuant to the Company's 2014 Stock Incentive Plan. Except as set forth in the immediately preceding sentence, and as set forth in Section 5.4 of the Consulting Agreement, the Consulting Agreement is hereby terminated as of the Commencement Date; provided, however, that all accrued and unpaid fees owed to the Employee pursuant to that Consultant Agreement for services rendered before termination thereof will remain due and payable by the Company, in accordance therewith.

3.6 Withholding. All salary, bonus and other compensation or benefits payable to the Employee shall be subject to applicable withholdings and taxes.

4. Payments Upon Resignation By The Employee Without Good Reason or Termination By The Company For Cause.

4.1 Payment upon Voluntary Resignation or Termination for Cause. If the Employee voluntarily resigns his employment other than for Good Reason (as defined in Section 4.2) or if the Company terminates the Employee for Cause (as defined in Section 4.3), the Company shall pay the Employee all accrued and unpaid base salary through the Employee's date of termination and any vacation that is accrued but unused as of such date. The Employee shall not be eligible for any severance or separation payments (including, but not limited to, those described in Section 7 of this Agreement) or any continuation of benefits (other than those provided for under the Federal Consolidated Omnibus Budget Reconciliation Act ("COBRA")), or any other compensation pursuant to this Agreement or otherwise. The Employee also shall have such rights, if any, with respect to outstanding equity awards as may be provided under the agreement applicable to each.

4.2 Definition of "Good Reason". For purposes of this Agreement, "Good Reason" means the occurrence, without the Employee's written consent, of any of the events or circumstances set forth in clauses (a) through (c) below, provided, however, that an event described in clauses (a) through (c) below shall not constitute Good Reason unless it is communicated in writing, within 90 days of the first occurrence of an event giving rise to the claim, by the Employee to the Board or its successor and unless it is not corrected by the Company or its successor within thirty (30) days of the Company's receipt of such written notice:

(a) the material diminution of the Employee's duties, authority or responsibilities;

(b) a material reduction in the Employee's base salary; or

(c) a change by the Company in the location at which the Employee performs his principal duties for the Company to a new location that is both (i) outside a radius of 50 miles from the Employee's principal residence and (ii) more than 30 miles from the location at which the Employee performed his principal duties for the Company.

If the Company fails to timely correct an event of Good Reason, the termination of Executive's employment shall become effective 60 days after such notice is received by the Company.

4.3 Definition of "Cause". For purposes of this Agreement, "Cause" is defined as: (i) a good faith finding by the Company (excluding the Employee, if applicable) of (a) the Employee's failure to (1) perform reasonably assigned lawful duties or (2) comply with a lawful instruction of the Company so long as, in the case of (2), the instruction is consistent with the scope and responsibilities of the Employee's position, or (b) the Employee's dishonesty, willful misconduct or gross negligence, or (c) the Employee's substantial and material failure or refusal to perform according to, or to comply with, the policies, procedures or practices established by the Company or the Board and, in the case of (a) or (c), the Employee has had ten (10) days written notice to cure his failure to so perform or comply; or (ii) the Employee's indictment, or the entering of a guilty plea or plea of "no contest" with respect to a felony or any crime involving moral turpitude.

5. Termination Without Cause; Resignation for Good Reason. If the Employee's employment with the Company is terminated by the Company without Cause, or by the Employee's voluntary resignation for Good Reason, other than in connection with a Change in Control (as defined in Section 7.2(a)), then the Employee shall be paid all accrued and unpaid base salary and any accrued but unused vacation through the date of termination. In addition,

subject to the Employee's execution and non-revocation of a binding severance and mutual release agreement in a form satisfactory to the Company (hereinafter, a "Severance Agreement") and subject to the terms and conditions of Section 19 of this Agreement, the Employee shall be eligible to receive the following separation benefits:

5.1 (a) an amount equal to the product of (i) one twelfth (1/12) of the Employee's then-current annualized base salary (provided, however, that if Employee's employment is terminated by the Employee's voluntary resignation for Good Reason as a result of the Company's material reduction of the Employee's base salary, then the Employee's then-current annualized base salary shall refer to his base salary as in effect immediately before such material reduction took effect) and (ii) six (6), less any amounts required to be withheld under applicable law, which amount shall be payable in six (6) substantially equal monthly installments, in accordance with the Company's payroll practices in effect from time to time beginning on the Payment Commencement Date (as defined below); and (b) the amount of any bonus for the prior year that was approved but not yet paid to the Employee at the time of the Employee's termination of employment, less any amounts required to be withheld under applicable law, which amount shall be paid in a manner and timing consistent with the payments to other similarly situated employees and consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") but in no event later than March 15 of the year following the year of performance; provided, in both cases, that the Severance Agreement has been executed and any applicable revocation period with respect thereto has expired within sixty (60) days following the Employee's date of termination (such 60th day, the "Payment Commencement Date"); provided, however, that if the 60th day following the Employee's date of termination occurs in the calendar year following the year of termination,

then the Payment Commencement Date shall be no earlier than January 1 of the year following the year of termination; and

5.2 upon the Employee's termination from employment pursuant to this Section 5, the Company shall make contributions to the cost of COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage on behalf of the Employee and any applicable dependents for a period of six (6) months after the Employee's termination if the Employee elects COBRA coverage, and only for so long as such coverage continues in force; provided, however, that if the Employee commences new employment and is eligible for a new group health plan, the Company's contributions toward COBRA coverage shall end when the new employment begins. The cost of COBRA shall be determined on the same basis as the Company's contribution to Company-provided health and dental insurance coverage in effect immediately before termination of the Employee's employment for an active employee with the same coverage elections. At the end of the six (6) month period, the Employee may continue such COBRA, if applicable, and shall be responsible for all premiums thereafter.

6. Termination by Reason of Death or Disability.

6.1 If the Employee's employment with the Company is terminated by reason of the Employee's death or Disability (as defined below), then the Employee (or his estate, if applicable) shall be paid, within thirty (30) days of the date of the Employee's death or determination of Disability, all accrued and unpaid base salary and any accrued but unused vacation through the date of termination.

6.2 For purposes of this Agreement, "Disability" shall mean the Employee's absence from the full-time performance of the Employee's duties with the Company for 180 consecutive calendar days as a result of incapacity due to mental or physical illness which is

determined to be total and permanent by a physician selected by the Company or its insurers and acceptable to the Employee or the Employee's legal representative.

7. Termination Following Change of Control.

7.1 Benefits to Employee Upon a Change of Control Termination. In the event of a Change of Control Termination (as defined in Section 7.2(c) below), the Employee shall be entitled to all accrued and unpaid base salary and any accrued but unused vacation through the date of termination. In addition, subject to the Employee's execution and non-revocation of a binding severance and mutual release agreement in a form satisfactory to the Company (hereinafter, a "Severance Agreement") and subject to the terms and conditions of Section 19 of this Agreement, the Employee shall be eligible to receive the following separation benefits:

(a) an amount equal to the product of (i) one twelfth (1/12) of the Employee's then-current annualized base salary (provided, however, that if Employee's employment is terminated by the Employee's voluntary resignation for Good Reason as a result of the Company's material reduction of the Employee's base salary, then the Employee's then-current annualized base salary shall refer to his base salary as in effect immediately before such material reduction took effect) and (ii) six (6), less any amounts required to be withheld under applicable law, which amount shall be payable, in full and in a lump-sum cash payment on the Payment Commencement Date (as defined below); provided, however, that if the Employee's date of termination occurs prior to the closing of the Change of Control, then the amount payable hereunder shall instead be paid in six (6) substantially equal monthly installments, in accordance with the Company's payroll practices in effect from time to time beginning on the Payment Commencement Date;

(b) the amount of any bonus for the prior year that was approved but not yet paid to the Employee at the time of the Employee's termination of employment, less any amounts required to be withheld under applicable law, which amount shall be paid in a manner and timing consistent with the payments to other similarly situated employees and consistent with the requirements of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code") but in no event later than March 15 of the year following the year of performance; provided, with respect to the separation benefits described in both Sections 7.1(a) and (b), that the Severance Agreement has been executed and any applicable revocation period with respect thereto has expired within sixty (60) days following the Employee's date of termination (such 60th day, the "Payment Commencement Date"), provided, however, that if the 60th day following the Employee's date of termination occurs in the calendar year following the year of termination, then the Payment Commencement Date shall be no earlier than January 1 of the year following the year of termination;

(c) upon the Employee's termination from employment pursuant to this Section 7, the Company shall make contributions to the cost of COBRA (Consolidated Omnibus Budget Reconciliation Act) coverage on behalf of the Employee and any applicable dependents for a period of six (6) months after the Employee's termination if the Employee elects COBRA coverage, and only for so long as such coverage continues in force; provided, however, that if the Employee commences new employment and is eligible for a new group health plan, the Company's contributions toward COBRA coverage shall end when the new employment begins. The cost of COBRA shall be determined on the same basis as the Company's contribution to Company-provided health and dental insurance coverage in effect immediately before termination of the Employee's employment for an active employee with the

same coverage elections. At the end of the six (6) month period, the Employee may continue such COBRA, if applicable, and shall be responsible for all premiums thereafter; and

(d) full and immediate vesting of any equity awards subject to time-based vesting that are outstanding at the time of the termination of the Employee's employment. Any of the Employee's outstanding awards at the time of the termination will remain exercisable following termination to the extent set forth in the applicable award agreements.

7.2 Key Definitions. As used herein, the following terms shall have the following respective meanings:

(a) "Change in Control" means an event or occurrence set forth in any one or more of subsections (i) through (iii) below (including an event or occurrence that constitutes a Change in Control under one of such subsections but is specifically exempted from another such subsection), provided that such event constitutes a "change in control event" within the meaning of Treasury Regulation Section 1.409A-3(i)(5)(i):

(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) more than 50% of either (x) the then-outstanding shares of common stock of the Company (the "Outstanding Company Common Stock") or (y) 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"); or

(ii) the consummation of a merger, consolidation, reorganization, recapitalization or share exchange involving the Company or a sale or other

disposition of all or substantially all of the assets of the Company in one or a series of transactions (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 Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and 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) (such resulting or acquiring corporation is referred to herein as the "Acquiring Corporation") in substantially the same proportions as their ownership, immediately prior to such Business Combination, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, respectively; or

(iii) approval by the stockholders of the Company of a complete or substantially complete liquidation or dissolution of the Company.

(b) "Change in Control Date" means the first date during the period of time the Employee is employed pursuant to this Agreement on which a Change in Control occurs. Anything in this Agreement to the contrary notwithstanding, if (a) a Change in Control occurs, (b) the Employee's employment with the Company is terminated prior to the date on which the Change in Control occurs, and (c) it is reasonably demonstrated by the Employee that such termination of employment (i) was at the request of a third party who has taken steps reasonably calculated to effect a Change in Control or (ii) otherwise arose in connection with or

in anticipation of a Change in Control, then for all purposes of this Agreement the "Change in Control Date" shall mean the date immediately prior to the date of such termination of employment.

(c) Change of Control Termination occurs where the Employee is terminated without Cause (as defined in Section 4.3) or resigns for Good Reason (as defined in Section 4.2), in either case within twelve (12) months following the Change in Control Date.

8. Mitigation. The Employee shall not be required to mitigate the amount of any payment or benefits provided for in Section 7 by seeking other employment or otherwise except with regard to medical and dental coverage if new employment is obtained.

9. Survival. The provisions of Sections 5 and 7 shall survive the termination of this Agreement for any reason.

10. Invention and Non-Disclosure Agreement. The Employee and the Company shall enter into the Invention and Non-Disclosure Agreement attached hereto as Exhibit A, effective as of the Commencement Date. The Company will comply with all applicable patent, copyright and other intellectual property laws with regard to inventorship and will give the Employee appropriate attribution for his works of authorship consistent with industry and professional standards, as determined by the Company in its reasonable discretion.

11. Immigration Reform and Control Act. On the Commencement Date, the Employee shall complete, as required by law, the Employment Eligibility Verification Form I-9 and shall provide the Company with appropriate documents to establish the Employee's eligibility to work in the United States (e.g., Social Security card and driver's license, or United States passport). The Employee's employment is contingent upon the Employee's ability to

provide the Company with satisfactory proof of the Employee's identity and authorization to work in the United States.

12. Notices. Any notices delivered under this Agreement shall be deemed duly delivered three (3) business days after it is sent by registered or certified mail, return receipt requested, postage prepaid, or one (1) business day after it is sent for next-business day delivery signature required via a reputable nationwide overnight courier service, to the Company's address set forth in the introductory paragraph hereto or to the home address of the Employee then on file with the Company, as applicable. Either party may change the address to which notices are to be delivered by giving notice of such change to the other party in the manner set forth in this Section 12.

13. Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular forms of nouns and pronouns shall include the plural, and vice versa.

14. Entire Agreement. This Agreement and all exhibits hereto constitute the entire agreement between the parties and supersedes all prior agreements and understandings, whether written or oral, relating to the subject matter of this Agreement.

15. Amendment. This Agreement may be amended or modified only by a written instrument executed by both the Company and the Employee.

16. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the Commonwealth of Massachusetts (without reference to the conflict of laws provisions thereof). Any action, suit or other legal proceeding arising under or relating to any provision of this Agreement shall be commenced only in a court of the Commonwealth of Massachusetts (or, if appropriate, a federal court located within the

Commonwealth of Massachusetts), and the Company and the Employee each consents to the jurisdiction of such a court. The Company and the Employee each hereby irrevocably waive any right to a trial by jury in any action, suit or other legal proceeding arising under or relating to any provision of this Agreement.

17. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of both parties and their respective successors and assigns, including any corporation with which or into which the Company may be merged or which may succeed to its assets or business; provided, however, that the obligations of the Employee are personal and shall not be assigned by him.

18. Acknowledgment. The Employee states and represents that he has had an opportunity to fully discuss and review the terms of this Agreement with an attorney. The Employee further states and represents that he has carefully read this Agreement, understands the contents herein, freely and voluntarily assents to all of the terms and conditions hereof, and signs his name of his own free act.

19. Payments Subject to Section 409A. Subject to the provisions in this Section 19, any severance payments or benefits under this Agreement shall begin only upon the date of the Employee's "separation from service" (determined as set forth below) which occurs on or after the date of termination of the Employee's employment. The following rules shall apply with respect to distribution of the payments and benefits, if any, to be provided to the Employee under this Agreement:

(a) It is intended that each installment of the severance payments and benefits provided under this Agreement shall be treated as a separate "payment" for purposes of Section 409A of the Code and the guidance issued thereunder ("Section 409A"). Neither the

Company nor the Employee shall have the right to accelerate or defer the delivery of any such payments or benefits except to the extent specifically permitted or required by Section 409A.

(b) If, as of the date of the Employee's "separation from service" from the Company, the Employee is not a "specified employee" (within the meaning of Section 409A), then each installment of the severance payments and benefits shall be made on the dates and terms set forth in this Agreement.

(c) If, as of the date of the Employee's "separation from service" from the Company, the Employee is a "specified employee" (within the meaning of Section 409A), then:

(i) Each installment of the severance payments and benefits due under this Agreement that, in accordance with the dates and terms set forth herein, will in all circumstances, regardless of when the separation from service occurs, be paid within the short-term deferral period (as defined under Section 409A) shall be treated as a short-term deferral within the meaning of Treasury Regulation § 1.409A-1(b)(4) to the maximum extent permissible under Section 409A and shall be paid in the manner (and at the times) set forth in this agreement; and

(ii) Each installment of the severance payments and benefits due under this Agreement that is not described in paragraph c(i) above and that would, absent this subsection, be paid within the six-month period following the Employee's "separation from service" from the Company shall not be paid until the date that is six months and one day after such separation from service (or, if earlier, the Employee's death), with any such installments that are required to be delayed being accumulated during the six-month period and paid in a lump sum on the date that is six months and one day following the Employee's separation from

service and any subsequent installments, if any, being paid in accordance with the dates and terms set forth herein; provided, however, that the preceding provisions of this sentence shall not apply to any installment of severance payments and benefits if and to the maximum extent that that such installment is deemed to be paid under a separation pay plan that does not provide for a deferral of compensation by reason of the application of Treasury Regulation § 1.409A-1(b)(9)(iii) (relating to separation pay upon an involuntary separation from service). Any installments that qualify for the exception under Treasury Regulation § 1.409A-1(b)(9)(iii) must be paid no later than the last day of the Employee's second taxable year following the taxable year in which the separation from service occurs.

(d) The determination of whether and when the Employee's separation from service from the Company has occurred shall be made and in a manner consistent with, and based on the presumptions set forth in, Treasury Regulation § 1.409A-1(h).

(e) All reimbursements and in-kind benefits provided under this Agreement shall be made or provided in accordance with the requirements of Section 409A to the extent that such reimbursements or in-kind benefits are subject to Section 409A, including, where applicable, the requirements that (i) any reimbursement is for expenses incurred during the Employee's lifetime (or during a shorter period of time specified in this Agreement), (ii) the amount of expenses eligible for reimbursement during a calendar year may not affect the expenses eligible for reimbursement in any other calendar year, (iii) the reimbursement of an eligible expense will be made on or before the last day of the calendar year following the year in which the expense is incurred and (iv) the right to reimbursement is not subject to set off or liquidation or exchange for any other benefit.

(f) Notwithstanding anything herein to the contrary, the Company shall have no liability to the Employee or to any other person if the payments and benefits provided hereunder that are intended to be exempt from or compliant with Section 409A are not so exempt or compliant.

20. Miscellaneous.

20.1 No delay or omission by the Company in exercising any right under this Agreement shall operate as a waiver of that or any other right. A waiver or consent given by the Company on any one occasion shall be effective only in that instance and shall not be construed as a bar to or waiver of any right on any other occasion.

20.2 The captions of the sections of this Agreement are for convenience of reference only and in no way define, limit or affect the scope or substance of any section of this Agreement.

20.3 In case any provision of this Agreement shall be invalid, illegal or otherwise unenforceable, the validity, legality and enforceability of the remaining provisions shall in no way be affected or impaired thereby.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year set forth above.

CERULEAN PHARMA INC.

/s/ Christopher D. T. Guiffre
By: Christopher D. T. Guiffre
Title: President & Chief Executive Officer

EMPLOYEE

/s/ Adrian Senderowicz
Adrian Senderowicz, M.D.

Exhibit A

Non-Disclosure, Non-Competition, and Assignment of Intellectual Property Agreement

Exhibit 31.1

CERTIFICATION

I, Christopher D.T. Guiffre, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cerulean Pharma 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)) 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. 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

    c. 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: November 16, 2015

/s/ Christopher D.T. Guiffre

Christopher D.T. Guiffre
President and Chief Executive Officer
(principal executive officer)

Exhibit 31.2

CERTIFICATION

I, Gregg Beloff, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Cerulean Pharma 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)) 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. 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

    c. 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: November 16, 2015

/s/ Gregg Beloff
Gregg Beloff
Interim Chief Financial Officer
(principal financial 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 Cerulean Pharma Inc. (the "Company") for the fiscal quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Christopher D.T. Guiffre, President and Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge on the date hereof:

(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: November 16, 2015

/s/ Christopher D.T. Guiffre
Christopher D.T. Guiffre
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 Cerulean Pharma Inc. (the "Company") for the fiscal quarter ended September 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), the undersigned, Gregg Beloff, Interim Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. Section 1350, that, to his knowledge on the date hereof:

(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: November 16, 2015

/s/ Gregg Beloff
Gregg Beloff
Interim Chief Financial Officer
(principal financial officer)