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

FORM 8-K

CURRENT REPORT

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

Date of report (Date of earliest event reported): March 16, 2020

KINDRED BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-36225	46-1160142
(State or other jurisdiction of incorporation or organization)	(Commission File Number)	(I.R.S. Employer Identification No.)

1555 Bayshore Highway, Suite 200, Burlingame, California 94010
(Address of principal executive offices) (Zip Code)

(650) 701-7901
(Registrant's telephone number, include area code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

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

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.0001 par value	KIN	The NASDAQ Stock Market LLC
Preferred Stock Purchase Rights	KIN	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933(§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

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

Item 1.01 Entry into a Material Definitive Agreement.

Asset Purchase Agreement for the Sale of Mirataz to Dechra

On March 16, 2020, Kindred Biosciences, Inc., a Delaware corporation ("KindredBio"), and Dechra Limited, a private limited company organized under the laws of England and Wales ("Dechra"), entered into an Asset Purchase Agreement (the "Asset Purchase Agreement") pursuant to which KindredBio agreed to sell to Dechra KindredBio's right, title, and interest in and to Mirataz® (mirtazapine transdermal ointment) or Accusorb™ , including specified related assets such as contracts, inventory, intellectual property, books and records, and claims. Dechra is an affiliate of Dechra Pharmaceuticals PLC.

The purchase price payable by Dechra to KindredBio is $43,000,000 plus the estimated inventory cost (as defined in the Asset Purchase Agreement), $38,700,000 of which is payable upon the closing of the transaction, $2,150,000 of which will be held in escrow and is payable 12 months following the closing less any paid or pending escrow claims, and $2,150,000 of which will be held in escrow and is payable 18 months following the closing, less any paid or pending escrow claims. The amount held in escrow will be used to satisfy any indemnification claims by Dechra against KindredBio. Following the closing, as additional consideration, Dechra will pay KindredBio a royalty in the amount of 10% of worldwide net sales (as defined in the Asset Purchase Agreement), on a country-by-country basis until expiration on a country-by-country basis of the royalty term (as defined in the Asset Purchase Agreement) with respect to the applicable country.

The closing of the transactions contemplated by the Asset Purchase Agreement is subject to customary closing conditions. The Asset Purchase Agreement contains customary representations, warranties, and pre-closing covenants by and from KindredBio and Dechra. KindredBio has agreed to indemnify Dechra from and against specified liabilities and expenses incurred by Dechra in connection with the Asset Purchase Agreement, including as a result of the breach of KindredBio's representations and warranties.

The preceding summary of the Asset Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Asset Purchase Agreement, which is attached hereto as Exhibit 2.1 and is incorporated into this Item 1.01 by reference.

The Asset Purchase Agreement has been included as an exhibit to this Current Report on Form 8-K to provide investors and stockholders with information regarding its terms. It is not intended to provide any other factual information about KindredBio or Dechra or their respective subsidiaries and affiliates. The Asset Purchase Agreement contains representations and warranties by each of KindredBio and Dechra made solely for the benefit of the other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that the parties have exchanged in connection with signing the Asset Purchase Agreement. The disclosure schedules contain information that modifies, qualifies, and creates exceptions to the representations and warranties set forth in the Asset Purchase Agreement. Moreover, certain representations and warranties in the Asset Purchase Agreement were used for the purpose of allocating risk between KindredBio and Dechra. Accordingly, investors and stockholders should not rely on the representations and warranties in the Asset Purchase Agreement as characterizations of the actual state of facts or condition of KindredBio or Dechra or their respective subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties, and covenants may change after the date of the Asset Purchase Agreement, which subsequent information may or may not be fully reflected in public disclosures.

Amendment of the Solar Capital Loan and Security Agreement

KindredBio is a party to the Loan and Security Agreement, dated as of September 30, 2019, among KindredBio, its subsidiaries (KindredBio Equine, Inc. and Centaur Biopharmaceutical Services, Inc.), and Solar Capital Ltd. (“Solar Capital”) in its capacity as collateral agent and lender and the other lenders party thereto (the

“Loan and Security Agreement”). KindredBio filed a copy of the Loan and Security Agreement with the Securities and Exchange Commission on October 2, 2019 as an exhibit to its Current Report on Form 8-K.

In connection with entering into the Asset Purchase Agreement, KindredBio, its subsidiaries, Solar Capital in its capacity as collateral agent and lender and the other lenders party to the following amendment entered into a First Amendment to Loan and Security Agreement dated as of March 16, 2020 (the "First Amendment"). Among other things, the First Amendment increases the minimum cash amount (as defined in the Loan and Security Agreement) required to be maintained by KindredBio to $10,000,000 at any time prior to the initial funding date (as defined in the Loan and Security Agreement) of any term B loan (as defined in the Loan and Security Agreement), to $15,000,000 at all times on and after the initial funding date of any term B loan, and to $20,000,000 at all times on and after the initial funding date of any term C loan (as defined in the Loan and Security Agreement), excepts the transactions contemplated by the Asset Purchase Agreement from certain requirements and restrictions contained in the Loan and Security Agreement, and releases Solar Capital's lien in and to the assets that are being sold by KindredBio pursuant to the Asset Purchase Agreement. The First Amendment also requires KindredBio to receive unrestricted net proceeds of at least $10,000,000 prior to December 31, 2021 pursuant to a specified sale of preferred or common stock or convertible subordinated debt financing.

The preceding summary of the First Amendment does not purport to be complete and is qualified in its entirety by reference to the First Amendment, which is attached hereto as Exhibit 10.1 and is incorporated into this Item 1.01 by reference.

The First Amendment has been included as an exhibit to this Current Report on Form 8-K to provide investors and stockholders with information regarding its terms. It is not intended to provide any other factual information about KindredBio or its subsidiaries and affiliates. The First Amendment contains representations and warranties by KindredBio made solely for the benefit of Solar Capital and the other lenders named in the First Amendment. Accordingly, investors and stockholders should not rely on the representations and warranties of KindredBio in the First Amendment as characterizations of the actual state of facts or condition of KindredBio or its subsidiaries or affiliates. Moreover, information concerning the subject matter of the representations, warranties, and covenants may change after the date of the First Amendment, which subsequent information may or may not be fully reflected in public disclosures.

Item 2.02 Results of Operations and Financial Condition.

On March 16, 2020, KindredBio issued a press release announcing its financial results for the fiscal year ended December 31, 2019 and recent business developments, including the execution of the Asset Purchase Agreement. A copy of the press release is attached to this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

The information furnished under this Item 2.02, including the accompanying Exhibit 99.1, shall not be deemed to be “filed” for the purposes of Section 18 of the Securities Exchange Act of 1934 (the “Exchange Act”), or otherwise subject to the liability of such section, nor shall such information be deemed to be incorporated by reference in any subsequent filing by KindredBio under the Securities Act of 1933 or the Exchange Act, regardless of the general incorporation language of such filing, except as specifically stated in such filing.

Item 2.05 Costs Associated with Exit or Disposal Activities.

On March 16, 2020, KindredBio committed to a restructuring to better align its workforce to its revised operating needs and program development plans. The restructuring consisted primarily of a 35% workforce reduction leading to the termination of 53 positions resulting in a total workforce of approximately 98 positions. KindredBio estimates it will incur approximately $1,700,000 in cash expenditures as a result of the restructuring, majority of which will be severance costs. KindredBio expects the restructuring to be completed in the second quarter of 2020.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
2.1	Asset Purchase Agreement dated as of March 16, 2020 between Kindred Biosciences, Inc. and Dechra Limited. (Schedules and exhibits to the Asset Purchase Agreement have been omitted pursuant to Item 601(a)(5) of Regulation S-K but will be furnished to the Securities and Exchange Commission upon its request.)
10.1	First Amendment to Loan and Security Agreement dated as of March 16, 2020 among Kindred Biosciences, Inc., KindredBio Equine, Inc., Centaur Biopharmaceutical Services, Inc., Solar Capital, Ltd., as collateral agent and lender, and the other lenders named therein.
99.1	Press Release of Kindred Biosciences, Inc. issued on March 16, 2020.

SIGNATURE

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

KINDRED BIOSCIENCES, INC.

Date: March 16, 2020

By: /s/ Wendy Wee
Wendy Wee
Chief Financial Officer

ASSET PURCHASE AGREEMENT

BY AND BETWEEN

KINDRED BIOSCIENCES, INC.

AND

DECHRA LIMITED

DATED AS OF MARCH 16, 2020

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ASSET PURCHASE AGREEMENT

This Asset Purchase Agreement is dated as of March 16, 2020 (the "Execution Date"), by and between Dechra Limited, a private limited company organized under the laws of England and Wales ("Purchaser"), and Kindred Biosciences, Inc., a Delaware corporation ("Seller"). Purchaser and Seller are sometimes referred to in this Agreement each as a "Party" and collectively as the "Parties."

RECITALS

WHEREAS, Purchaser desires to purchase from Seller, and Seller desires to sell to Purchaser and certain of its Affiliates, the Transferred Assets, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE 1
DEFINITIONS

1.1 Certain Defined Terms. As used herein, the following terms shall have the following meanings:

"Accounts Receivable" means all accounts receivable, notes receivable and other indebtedness due and owed by any Third Party to Seller or any of its Affiliates arising from sales of the Product by or on behalf of Seller or its Affiliates prior to the Closing Date or relating to the conduct of the Business by Seller or its Affiliates prior to the Closing Date.

"Action" means any audit, investigation, action, lawsuit, litigation, arbitration or other similar proceeding to, from, by or before any Governmental Authority.

"ADUFA" means the Animal Drug User Fee Act, as amended from time to time.

"Affiliate" means, with respect to a specified Person, a Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with the specified Person. For purposes of this definition, the term "control" (including the terms "controlling," "controlled by" and "under common control with") means (a) the possession of the power to vote fifty percent (50%) or more of the securities or other equity interest of a Person having ordinary voting power, or (b) the possession of the power to direct or cause the direction of the management or policies of a Person, by contract or otherwise.

"Agreement" means this Asset Purchase Agreement (including all schedules and exhibits attached to this Agreement, which are fully incorporated by this reference), as it may be amended from time to time.

"Allocation Schedule" is defined in Section 8.1.

"Ancillary Agreement" means each of the Bill of Sale, the Assignment and Assumption Agreement, the Patent Assignment, the Trademark Assignment, the Domain Name Assignment and the Escrow Agreement.

"Applicable Product Registrations" is defined in Section 2.1.4.

"Assumed Liabilities" is defined in Section 2.2.

"Bill of Sale, Assignment and Assumption Agreement" is defined in Section 4.2.1.

"Business" means the Seller's worldwide business and operations as of the Execution Date of researching, developing, manufacturing, marketing, distributing and selling the Product.

"Business Day" means any day other than (a) a Saturday or a Sunday or (b) a day on which banking institutions are required by law to be closed in San Francisco, California.

"Calendar Quarter" means any period of three (3) consecutive calendar months ending on March 31, June 30, September 30 or December 31.

"Calendar Year" means any twelve month period beginning January 1 and ending December 31.

"Closing" is defined in Section 4.1.

"Closing Date" is defined in Section 4.1.

"Code" means the U.S. Internal Revenue Code of 1986, as amended.

"Confidential Information" means all Trade Secrets and other confidential and/or proprietary information of a Person, including information contained in or derived from reports, investigations, research, work in progress, marketing and sales programs, financial projections, cost summaries, pricing formulas, contract analyses, financial information, projections, confidential filings with any state or federal agency, and all other confidential concepts, methods of doing business, ideas, materials or information prepared or performed for, by or on behalf of such Person by its employees, officers, directors, agents, representatives, or consultants.

"Confidentiality Agreement" means that certain One-Way Non-Disclosure Agreement between Purchaser and Seller, dated February 10, 2020.

"Consent" means any approval, consent, ratification, permission, waiver or authorization.

"Consignment Units" is defined in Section 3.9.

"Contract" means any written contract, agreement, lease, sublease, license, sublicense or any other legally binding commitment, promise or arrangement.

"Copyrights" means all copyrightable works of authorship (whether published or unpublished), all registered or unregistered copyrights, all copyright registrations, applications for registration and renewals, and all rights corresponding the foregoing throughout the world, including rights to prepare, reproduce, perform, display and distribute copyrighted works and copies, compilations and derivative works thereof.

"Cost of Goods Sold" means the net costs incurred by Seller in manufacturing or obtaining supply of the Product, calculated in accordance with GAAP and Seller's cost accounting methodologies.

"Customers" means Third Party wholesalers, group purchasing organizations or other Third Parties that have entered into a Contract with Seller for the purchase of Product or purchase the Product from Seller as of the Closing Date.

"Damages" means any loss, damage, injury, award, fine, penalty, deficiency, Tax, fee, amount paid in settlement, or reasonable out-of-pocket expense (including costs and expenses of Actions, and reasonable fees and expenses of experts, accountants and legal counsel).

"Data Room" means the electronic data room containing documents and materials relating to the Business as constituted as of the Execution Date.

"Domain Name Assignment" is defined in Section 4.2.3(c).

"Electronic Delivery" is defined in Section 12.15.

"Encumbrance" means any lien, pledge, hypothecation, charge, mortgage, security interest or other encumbrance.

"Enforceable" means, with respect to any Contract stated to be enforceable by or against any Person, that such Contract is enforceable by or against such Person in accordance with its terms, except to the extent that enforcement of the rights and remedies created thereby is subject to bankruptcy, insolvency, reorganization, moratorium and other similar laws of general application affecting the rights and remedies of creditors and to general principles of equity (regardless of whether enforceability is considered in a proceeding in equity or at law).

"Escrow Account" means an account to be established and held by the Escrow Agent in accordance with the Escrow Agreement.

"Escrow Agent" means Wilmington Trust.

"Escrow Agreement" means the Escrow Agreement to be entered into at the Closing between Purchaser, Seller and the Escrow Agent, in substantially the form attached hereto as Exhibit 4.2.5, which shall be subject to further negotiation by the parties thereto, acting in good faith.

"Escrow Amount" means $4,300,000.

"Escrow Fund" means the Escrow Amount deposited with the Escrow Agent, as such sum may be increased or decreased as provided in this Agreement and the Escrow Agreement, including any interest or other amounts earned thereon.

"Excluded Liabilities" means, without duplication, except to the extent specified to be an Assumed Liability and except for Taxes borne by Purchaser pursuant to Section 8.2, (a) all Liabilities under or arising from the Transferred Assets to the extent such Liabilities arise during any time period prior to the Closing Date, (b) all Liabilities arising out of the conduct of the Business to the extent such Liabilities arise during or relate to any time period prior to the Closing Date, including all accounts payable and all Liabilities for Taxes, (c) all Liabilities under or arising from any Transferred Contract, in each case, to the extent payable, required to be performed or accrued prior to the Closing Date, including any royalties payable with respect to any period prior to the Closing Date, (d) all Liabilities arising out of or resulting from any violation or non-compliance of Seller or any of its Affiliates with any Legal Requirement; (e) all Liabilities in respect of any Action to the extent exclusively arising out of or exclusively relating to the operation or conduct of the Business or the Transferred Assets by the Seller or any of its Affiliates prior to the Closing; (f) all Liabilities arising out of or related to any product recall with respect to, or market withdrawal of, any unit of Product sold by or on behalf of Seller or any of its Affiliates prior to the Closing Date; (g) all Liabilities of Seller or any of its Affiliates with respect to the employment of their respective employees, including Liabilities for compensation and benefits owed or claimed to be owed by Seller or any such Affiliate to such employees and including, for the avoidance of doubt, any severance or other payment obligations payable to any employee of Seller whose employment is terminated by Seller at any time prior to or following the Closing; (h) all liabilities of Seller and each of its Affiliates or any member of any consolidated, affiliated, combined or unitary group of which Seller or any of its Affiliates is a member for Taxes attributable to any pre-Closing period; (i) all Liabilities in respect of indebtedness for borrowed money owing or guaranteed by Seller or any of its Affiliates; (j) all Liabilities of Seller or any of its Affiliates to the extent arising out of or in respect of any real property, leaseholds or other interests in real property; (k) all accounts payable of Seller or any of its Affiliates outstanding on the Closing Date, including accounts payable arising out of Seller's operation of the Business; (l) all Liabilities for Rebates in respect of any units of any Product sold by or on behalf of Seller or any of its Affiliates prior to the Closing Date; (m) all Liabilities for Product return reimbursement in respect of any units of any Product sold by Seller or any of its Affiliates prior to the Closing Date; (n) all intercompany debts and obligations of Seller or any of its Affiliates, (o) any Liability related to any claims by creditors of Seller or any of its Affiliates, including any Actions challenging the transactions contemplated by this Agreement, and (p) all Liabilities arising out of the conduct by Seller of its businesses other than the Business, including any Liabilities under or arising out of any Contract of Seller or any of its Affiliates other than a Transferred Contract.

"Execution Date" is defined in the introduction to this Agreement.

"FDA" means the United States Food and Drug Administration or any successor agency thereto.

"First Commercial Sale" means the first sale of the Product to a Third Party in the applicable country.

"Forward-Looking Statements" is defined in Section 12.2.1.

"Fundamental Representations and Warranties" is defined in Section 10.3.

"GAAP" means generally accepted accounting principles in the U.S. as in effect from time to time.

"Governmental Authority" means (a) the government of any nation, state, province, territory, county, municipality, district or other jurisdiction; or (b) anybody entitled to exercise any executive, legislative, judicial or administrative authority or power, in their official capacity as such.

"IFRS" means International Financial Reporting Standards as in effect from time to time.

"Indemnification Claim" is defined in Section 10.4.

"Indemnified Party" is defined in Section 10.4.

"Indemnifying Party" is defined in Section 10.4.

"In-License Agreement" is defined in Section 5.7.3.

"Intellectual Property" means all rights in and to intellectual property, including (a) Patents, Trade Secrets, Copyrights, Trademarks and domain names, and (b) any rights equivalent to any of the foregoing anywhere in the world.

"Inventory Cost" means (a) an amount equal to the product of $1.46 multiplied by the number of units of Product transferred plus (b) the agreed value of the 51,300 Discounted Units of $51,300, and (c) the agreed value of the 300 kgs of mirtazapine of $213,750.

"IRS" means the U.S. Internal Revenue Service.

"Legal Requirement" means any law, statute, legislation, constitution, principle of common law, treaty or regulation that has been issued or enacted by any Governmental Authority.

"Liability" means, with respect to any Person, any liability or obligation of such Person whether known or unknown, whether asserted or unasserted, whether determined, determinable or otherwise, whether absolute or contingent, whether accrued or unaccrued, whether liquidated or unliquidated, whether incurred or consequential, whether due or to become due and whether or not required under GAAP to be accrued on the financial statements of such Person.

"Maintenance Fees" is defined in Section 7.8.2.

"Material Adverse Effect" means any event, change or effect that has had a material adverse effect on the financial condition or operation of the Business, taken as a whole; provided, however, that any event, change or effect will not be deemed to constitute a Material Adverse Effect and will be disregarded when determining whether a Material Adverse Effect has occurred, to the extent arising from or directly or indirectly related to (i) general economic conditions, political conditions, financial and credit market conditions or changes in currency exchange rates; (ii) changes in the industries in which the Business operates; (iii) any adverse development (or potential adverse development) in Seller's relationship with any of its Business customers, suppliers, distributors, licensors, employees or other business partners, in each case as a result of the announcement or pendency of this Agreement or the Transactions or the identity of

Purchaser; (iv) fluctuations in sales and earnings of the Business or failure of the Business to meet sales, earnings or other financial or non-financial projections and estimates (*provided* that this clause (iv) shall not be construed as implying the Seller is making any representations or warranties hereunder regarding any such projections or estimates); (v) acts of war or terrorism (or the escalation of the foregoing), natural disasters, pandemics or other force majeure events; or (vi) changes or anticipated changes in any Legal Requirements applicable to the Business or applicable accounting regulations or principles or the interpretation thereof; or (vii) compliance by Seller or any of its Affiliates with this Agreement, or compliance by Seller or its Affiliates with a request by Purchaser that Seller or any of its Affiliates take an action (or refrain from taking an action) to the extent such action or inaction is in compliance with such request or actions taken by Seller or its Affiliates with the consent of Purchaser; except, in each of the cases of clause (i) through (vii), for those conditions that have a materially disproportionate effect on the results of operations or financial condition of the Business, taken as a whole, relative to other Persons operating businesses similar to the Business.

"NDC" is defined in Section 7.11.

"Net Sales" means, with respect to the sale of the Product during any period, the gross invoiced sales amount for any sale of the Product by Purchaser, its Affiliates or any licensees or distributors to any Third Party less the following deductions to the extent actually incurred, allowed, paid, accrued or allocated in accordance with IFRS, consistently applied: (a) trade, cash, promotional and quantity discounts and wholesaler fees, discounts; (b) taxes on sales (such as excise, sales or use taxes or value added taxes) to the extent imposed upon and paid directly with respect to the sales price (and excluding taxes based on income); (c) freight, insurance, packing costs and other transportation and shipping charges to the extent included in the invoice price to the buyer; (d) amounts repaid or credits taken by reason of damaged goods, rejections, defects, expired dating, recalls or returns or because of retroactive price reductions; and (e) wholesaler inventory management fees, charge-back payments, refunds and Rebates granted to trade customers, including wholesalers. Sales of the Product between Purchaser, its Affiliates or licensees for resale will not be included within Net Sales, provided, however, that any subsequent sale of the Product by Purchaser or its Affiliate or licensee to a Third Party will be included within Net Sales. Net Sales shall not be imputed to any transfers of Product for bona fide charitable purposes or as Product samples if no monetary consideration is received for such transfers.

"Non-Assignable Asset" is defined in Section 2.4.2.

"Order" means any temporary, preliminary or permanent order, judgment or injunction that has been issued or otherwise put into effect by any Governmental Authority.

"Ordinary Course of Business" means an action taken by any Person in the ordinary course of such Person's business consistent with past practices.

"Organizational Documents" means, with respect to any Person (other than an individual), (a) the certificate or articles of incorporation or organization and any joint venture, limited liability company, operating or partnership agreement adopted or filed in connection with the creation, formation or organization of such Person and (b) all by-laws, voting agreements and similar agreements relating to the organization or governance of such Person, in each case, as amended or supplemented.

"Out-License Agreement" is defined in Section 5.7.3.

"Party" and "Parties" are defined in the introduction to this Agreement.

"Patent" means all patents and applications therefor and all reissues, divisions, re-examinations, revisions, renewals, extensions, provisionals, continuations and continuations-in-part thereof, and equivalent or similar rights anywhere in the world in inventions and discoveries.

"Patent Assignment" is defined in Section 4.2.3(a).

"Permit" means any license, certificate, approval, consent, permission, clearance, exemption, waiver, franchise, registration, qualification, accreditation or authorization issued, granted or given by any Governmental Authority, other than any Product Registration.

"Permitted Encumbrances" means (a) Encumbrances disclosed on the Seller Disclosure Schedules and approved in writing by Purchaser prior to the Execution Date; (b) Encumbrances for Taxes and other similar governmental charges and assessments which are not yet due or payable or Encumbrances for Taxes being contested in good faith; (c) statutory liens to secure obligations to landlords, lessors or renters under leases or rental agreements; (d) deposits or pledges made in connection with, or to secure payment of, workers' compensation, unemployment insurance or similar programs mandated by applicable Law; (e) inchoate statutory liens in favor of carriers, warehousemen, mechanics and materialmen, to secure claims for labor, materials or supplies and other like liens; (f) any minor imperfection of title or similar liens, charges or encumbrances which individually or in the aggregate with other such liens, charges and encumbrances does not impair, in any material respect, the present use and enjoyment of any Transferred Asset, or the value of or the ability to use or transfer the property subject to such lien, charge or encumbrance or the use of such property in the conduct of the Business; (g) zoning, building, land use and other similar restrictions, which are not being violated by the manner of current use or occupancy of such real property or the operation of the Business; and (h) non-exclusive licenses to use Intellectual Property granted in the Ordinary Course of Business.

"Person" means any (a) individual, (b) corporation (including any non-profit corporation), general partnership, limited partnership, limited liability partnership, joint venture, estate, trust, association or company (including any limited liability company or joint stock company) or other similar entity or (c) Governmental Authority.

"Product" means Mirataz® (mirtazapine transdermal ointment) or Accusorb™, as sold by or on behalf of Seller and its Affiliates throughout the world.

"Product Intellectual Property" is defined in Section 2.1.2.

"Product Patent" means a Patent included within the scope of the Product Intellectual Property.

"Product Records" means all books and records relating primarily or exclusively to the Product or the Business, in such form as maintained by the Seller and its Affiliates.

"Product Registration" means any investigational new drug application, new drug application, or similar regulatory application or registration of Seller for the Product that has been submitted to or approved by the FDA in the United States, or a similar Governmental Authority in another jurisdiction.

"Product Regulatory Documentation" means, all (a) documentation comprising the Applicable Product Registrations and (b) all documentation primarily or exclusively related to the Product, including (i) correspondence and reports submitted to or received from any Governmental Authority, (ii) other dossiers or compilations necessary to obtain or maintain any Applicable Product Registration, (iii) literature safety reports and documents relating to good manufacturing practices or issues, animal clinical trials, animal research, including laboratory and target animal research and all veterinary master files contained or referenced in the Applicable Product Registrations, and (iv) data (including clinical and pre-clinical data) referenced in any of the documentation and materials referred to in the preceding clauses (a) and (b).

"Purchase Price" is defined in Section 3.1.

"Purchaser" is defined in the introduction to this Agreement.

"Purchaser Indemnitees" is defined in Section 10.1.

"Rebate" means rebates, price reductions or other lagged price concessions or coupon programs, in each case, based on purchase or utilization of units of a Product.

"Registered Intellectual Property" means all U.S., international and foreign: (a) issued Patents and pending applications therefor; (b) registered Trademarks and pending applications therefor, including intent-to-use applications, Trademark renewals, or other registrations or applications related to Trademarks; (c) Copyright registrations, pending applications therefor and Copyright renewals and (d) domain name and website registrations.

"Representatives" means, with respect to a Person, the officers, directors, employees, agents, attorneys, consultants, advisors and other representatives of such Person.

"Royalty Payments" is defined in Section 3.2.

"Royalty Term" means, with respect to the Product in a country, the period commencing on the First Commercial Sale of the Product in such country and ending upon the latest of: (a) the expiration of the last Valid Claim of any Product Patent that covers the Product in such country; (b) ten (10) years after the First Commercial Sale of the Product in such country; or (c) expiration of all applicable regulatory exclusivity periods in such country with respect to the Product.

"Seller" is defined in the introduction to this Agreement.

"Seller Disclosure Schedule" is defined in Article 5.

"Seller Indemnitees" is defined in Section 10.2.

"Seller's Knowledge" means the actual knowledge of the following persons: Richard Chin, Denise M. Bevers, Wendy Wee, Kathy Vannatta, Bill Stuart, and Jenna (Hahn) Mutch, together with the knowledge such person would have acquired after reasonable inquiry of such person's direct reports reasonably expected to have knowledge of such matters.

"Tax" (and, with correlative meaning, "Taxes" and "Taxable") or "Taxation" means any United States federal, state or local, or any foreign, income, franchise, profits, gross receipts, ad valorem, net worth, value added, transfer, sales, use, real or personal property, windfall profits, customs, duties, payroll, withholding, employment, unemployment, severance, social security (or similar), excise, stamp, registration, alternative and add-on minimum tax, fees, assessments or charges of any kind in the nature of a tax payable to any Taxing Authority and including all interest, penalties, additional taxes and additions to tax imposed with respect thereto.

"Tax Return" means any return, declaration, report, estimate, claim for refund or information return or statement relating to Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Third Party" means any Person other than Seller or Purchaser or their Affiliates.

"Trade Secrets" means all rights in trade secrets and confidential information under applicable Legal Requirements, including all rights in know-how, developments, inventions, processes, ideas, data or other confidential information that provide any Person with advantages over competitors (including related papers, invention disclosures, research data and results, flowcharts, diagrams, chemical compositions, formulae, diaries, notebooks, specifications, designs, methods of manufacture, processing techniques, data processing software, compilations of information, Customer and supplier lists, pricing and cost information, and business and marketing plans and proposals).

"Trademark Assignment" is defined in Section 4.2.3(b).

"Trademarks" means any and all trademarks, service marks, trade dress and trade names, together with all adaptations, derivations and combinations thereof (whether or not registered), all registrations or applications to register the foregoing, and all goodwill associated with any of the foregoing.

"Transactions" means the transactions contemplated by this Agreement and the Ancillary Agreements.

"Transfer" means, for a Applicable Product Registration in any country throughout the world, (a) the assignment of rights relating to such Product Registration for the applicable Product in such territory to Purchaser or Purchaser's nominee in accordance with applicable Legal Requirements, (b) to the extent the Product Registration cannot be transferred because applicable Legal Requirements require the Product Registration transferee to apply in its own name for a new Product Registration, the issuance of a new Product Registration for such Product in such country and the withdrawal or termination of such existing Product Registration in such country, as applicable, each in accordance with applicable Legal Requirements, or (c) in the event Purchaser requests the withdrawal or termination of a Product Registration for such Product for such country, the termination, withdrawal, cancellation or lapse of such Product Registration in such country.

"Transfer Taxes" is defined in Section 8.2.

"Transferred Assets" is defined in Section 2.1.

"Transferred Books and Records" is defined in Section 2.1.5.

"Transferred Contracts" is defined in Section 2.1.3.

"Transferred Inventory" means (a) 322,000 units of inventory of Products in finished packaged form (together with any Product packaging materials thereon) labeled and held for sale, which units have expiration dates at or after October 2022, (b) 300 kilograms of mirtazapine, work-in-process, excipients, labeling materials and packaging materials used or held for use exclusively or primarily in the manufacture of the Products for sale, (c) 51,300 units of inventory of Products in finished packaged form (together with any Product packaging materials thereon) labeled and held for sale (the "Discounted Units") for use by Purchaser solely in connection with free of charge promotions, and (d) samples of Products in finished packaged form labeled and held for use, in each case ((a) through (d)), to the extent owned as of the Closing by Seller, that has not been sold to a Third Party, including any wholesaler or distributor.

"Valid Claim" means a claim of: (a) any unexpired issued patent that will not have been dedicated to the public, disclaimed nor held invalid or unenforceable by a court or government agency of competent jurisdiction in an unappealed or unappealable decision, or (b) any claim of a patent application pending as of the Execution Date that has not been cancelled, withdrawn or abandoned or finally rejected in an unappealed or unappealable decision.

ARTICLE 2
PURCHASE AND SALE OF ASSETS; ASSIGNMENT AND ASSUMPTION OF LIABILITIES

2.1 Transferred Assets. Subject to the terms and conditions of this Agreement, at the Closing, Seller will, and will cause any Affiliates of Seller to, sell, transfer, convey, and assign to Purchaser, and Purchaser will (and with respect to the Transferred Inventory, will cause its indirect subsidiary Dechra Veterinary Products LLC to) purchase from Seller all of the right, title and interest of Seller or any Affiliate of Seller, in, to and under the following (collectively, the "Transferred Assets"), free and clear of any Encumbrances, other than Permitted Encumbrances:

2.1.1 Inventory. The Transferred Inventory, as more fully described on Schedule 2.1.1;

2.1.2 Intellectual Property. The Intellectual Property exclusively used or held for use in the Business, including the Intellectual Property set forth on Schedule 2.1.2 (the "Product Intellectual Property"), and including rights to sue for past infringement of any Product Intellectual Property;

2.1.3 Contracts. The Contracts exclusively related to the Business, including those set forth on Schedule 2.1.3, in each case, excluding (a) all rights, claims or causes of action (including warranty claims) of Seller thereunder related to products supplied or services provided by Seller or its Affiliates prior to the Closing and (b) all Accounts Receivable thereunder (the "Transferred Contracts");

2.1.4 Product Records. (a) All Product Registrations related to the Product, including those set forth on Schedule 2.1.4, to the extent transferable to the Purchaser under applicable Legal Requirements (the "Applicable Product Registrations"), and (b) all Product Regulatory Documentation;

2.1.5 Books and Records. The books, files, documents and records used or held for use exclusively with the Transferred Assets set forth on Schedule 2.1.5, including all Product Records, excluding any Tax Returns and all books, files, documents and records prepared by Seller in connection with the Transactions (the "Transferred Books and Records");

2.1.1 Promotional Materials. All existing advertising, promotional and media materials, sales training materials, customer lists, other marketing data and materials, trade show materials and videos, in such form as maintained by Seller or any of its Affiliates, to the extent exclusively or primarily used or held for use primarily or exclusively in connection with the Product;

2.1.2 Claims. All rights to claims, demands, causes of Action or Actions set forth on Schedule 2.1.7; and

2.1.3 Other Assets. All other assets specifically listed on Schedule 2.1.8.

Notwithstanding anything to the contrary contained in this Agreement, Seller may, subject to confidentiality obligations, retain, at its expense, one archival copy of all Transferred Contracts, Transferred Books and Records and other documents or materials conveyed hereunder, in each case for Seller's own records.

2.2 Assumed Liabilities. Subject to the terms and conditions of this Agreement, Purchaser will, at the Closing, assume, and thereafter pay, perform and discharge when due, only the following Liabilities of Seller existing as of the Closing (the "Assumed Liabilities"):

2.2.1 Liabilities under or with respect to the Transferred Contracts, in each case, to the extent any such Liabilities (a) relate to performance obligations thereunder arising prior to the Closing and not yet performed as of the Closing, or (b) otherwise arise or accrue on or after the Closing, excluding in all cases any such Liabilities to the extent arising from any breach, default, violation or other form of noncompliance by the Seller or any of its Affiliates prior to the Closing; and

2.2.2 All Liabilities arising out of or relating to Purchaser's ownership and use of the Transferred Assets and the operation and conduct of the Business by Purchaser after the Closing.

2.1 Excluded Liabilities. Purchaser is not assuming and Seller shall retain all Excluded Liabilities of Seller or any of its Affiliates.

2.2 Assignment; Non-Assignable Assets.

2.2.1 Notwithstanding anything in this Agreement to the contrary, this Agreement does not constitute an agreement to assign or transfer any Transferred Contract or other Transferred Asset that is not assignable or transferable without the Consent of any Person, other than Seller, Purchaser or any of their respective Affiliates, to the extent that such Consent has not been obtained prior to the Closing. Seller will use, both prior to and, with respect to any Transferred Asset for which Consent has not been obtained prior to Closing, for six (6) months after the Closing, commercially reasonable efforts to take, or cause to be taken, all appropriate action to do, or cause to be done, all things necessary, proper or advisable under applicable Legal Requirements or otherwise obtain, and Purchaser will

assist and cooperate with Seller in connection with obtaining, all necessary consents to the assignment and transfer of such agreements or written confirmation from such Third Parties reasonably satisfactory in form and substance to Purchaser and Seller that such consent is not required, it being understood that (a) other than administrative costs and expenses and reasonable legal fees payable to any Third Party incurred in connection with obtaining any such Consent, none of the Parties or any of their respective Affiliates will be required to pay money to any Third Party, commence any litigation or offer or grant any accommodation (financial or otherwise) to any Third Party and (b) to the extent the foregoing requires any action by Seller or any Affiliate that would, or would continue to, affect the Business after the Closing, such action requires the prior written consent of Purchaser, which Purchaser may not unreasonably withhold, delay or condition. Upon obtaining the requisite Third Party Consents, such Transferred Contracts and other Transferred Assets will be transferred and assigned to Purchaser hereunder and the Parties will execute such documents or instruments of conveyance or assumption and take such further actions which are reasonably necessary or desirable to effect the transfer of the relevant Transferred Contract or Transferred Asset. Without limiting the foregoing, but subject to Purchaser's obligation to cooperate as set forth in this Section 2.4.1, Seller shall make every effort to obtain the Consents set forth on Schedule 2.4.1 not later than six (6) months after the Closing.

2.2.2 With respect to any Transferred Contract or other Transferred Asset that is not transferred or assigned to Purchaser, or consent is not obtained, prior to the Closing (a "Non-Assignable Asset") or if an attempted assignment or transfer would be ineffective or would adversely affect the claims, benefits, rights or obligations of Purchaser or the Seller, to the extent permitted by applicable Law and the terms of such Transferred Contract, effective as of the Closing, (A) this Agreement shall constitute a full and equitable assignment by Seller to Purchaser of all of Seller's obligations and liabilities thereunder, and all of Seller's right, title, and interest thereto, and Purchaser shall be deemed Seller's agent for the purpose of completing, fulfilling and discharging all of Seller's liabilities thereunder; and (B) the parties shall take all necessary steps and actions to provide Purchaser with the benefits of any such Transferred Contract and to relieve Seller of the performance and other obligations thereunder; provided, however, that in no event will Seller or its Affiliates be required to commence any litigation or offer or grant any accommodation (financial or otherwise) to any Third Party in connection therewith.

ARTICLE 3
CONSIDERATION

3.1 Purchase Price, Inventory Cost and Assumption of Assumed Liabilities. As consideration for the sale, transfer, conveyance and assignment of the Transferred Assets to Purchaser, Purchaser will on the Closing Date (a) pay, or cause the payment, to Seller, by wire transfer of immediately available funds in accordance with the wire transfer instructions provided by Seller to Purchaser on or before the Closing Date, the amount of (i) $43,000,000 (the "Purchase Price"), plus (ii) the Inventory Cost, minus (iii) the Escrow Amount, (b) assume the Assumed Liabilities, and (c) deposit, or cause the deposit of, the Escrow Amount into the Escrow Account, by wire transfer of immediately available funds in accordance with wire transfer instructions provided by the Escrow Agent.

3.2 Royalty Payments. Following the Closing, as additional consideration for the sale, transfer, conveyance and assignment of the Transferred Assets to Purchaser, Purchaser will pay Seller a royalty in the amount of ten percent (10%) of worldwide Net Sales, on a country-by-country basis until expiration on a country-by-country basis of the Royalty Term with respect to the applicable country (the "Royalty Payments"). Purchaser further agrees during the Royalty Period, it will not discount the Product in order to promote any other product. Purchaser agrees that the Discounted Units will be used by Purchaser solely for free of charge promotions.

3.3 Royalty Reports and Payments. Within fifteen (15) Business Days after the end of each Calendar Quarter in which there are any Net Sales subject to Royalty Payments under this Agreement, Purchaser will furnish to Seller a statement setting forth a good faith estimate of such Net Sales for each applicable country during such Calendar Quarter, and a calculation of royalties due pursuant to this Agreement (including any currency conversions). The amount of the Royalty Payment due to Seller with respect to such Calendar Quarter will be paid, and a statement setting forth the actual Net Sales for each applicable country during such Calendar Quarter and a calculation of royalties due pursuant to this Agreement (including any currency conversions) will be provided to Seller, by Purchaser within forty-five (45) days of the end of the applicable Calendar Quarter. Interest will accrue on any Royalty Payments not paid when due through and including the date upon which Seller is paid in full at a rate equal to the lesser of (a) one percent (1%) per month and (b) the maximum interest rate allowed by applicable Legal Requirements.

3.4 Taxes. Purchaser will make all payments pursuant to this Agreement, including Royalty Payments to Seller under this Agreement net of withholding for Tax. Any Tax required to be withheld on Royalty Payments under this Agreement will promptly be remitted by Purchaser on behalf of Seller to the appropriate Governmental Authority, and Purchaser will furnish Seller with proof of remittance of such Tax. Purchaser and Seller will cooperate with respect to all documentation required by any Governmental Authority or reasonably requested by Purchaser to secure a reduction in the rate of applicable withholding Taxes. As soon as practicable after the Closing, Seller shall deliver to Purchaser IRS Form 6166 certifying that Seller is a resident of the United States for federal tax purposes and that Seller qualifies for the benefits under the tax treaty between the United Kingdom and the United States. Upon request from Purchaser, Seller shall deliver to Purchaser or the appropriate Governmental Authority the prescribed forms necessary to reduce the applicable rate of withholding or to relieve Purchaser of its obligation to withhold Tax.

3.5 Foreign Exchange. With respect to Net Sales invoiced or expenses incurred in a currency other than United States dollars, such Net Sales invoiced or expenses incurred will be converted into the United States dollars equivalent using a rate of exchange that corresponds to the rate used by Purchaser to prepare its audited financial statements, provided that such practices use a widely accepted source of published exchange rates.

3.6 Currency. Unless otherwise expressly stated, all amounts payable and all calculations made hereunder will be paid and made in United States dollars.

3.7 Method of Payment. All payments by Purchaser to Seller under this Agreement will be made by wire transfer in immediately available funds to such account as Seller will designate before such payment is due (which account Seller may from time to time change upon ten (10) days' prior written notice to Purchaser).

3.8 Records; Audits. Purchaser will keep, and will require its Affiliates and licensees to keep, complete and accurate books of accounts and records for the purpose of determining the basis and accuracy of Royalty Payments to be made under this Agreement. Such records will be kept in accordance with IFRS and such entity's usual internal practices and procedures (which will be commercially reasonable) consistently applied. Such books and records will be kept for at least three (3) years following the end of the Calendar Year to which they pertain. Such records will be open for inspection by Seller during such three (3) year period by independent accountants reasonably acceptable to Purchaser, solely for the purpose of verifying the basis and accuracy of Royalty Payments made hereunder. Such inspections will be made no more than once during each twelve (12) month period, at a reasonable time and on reasonable notice. Results of any such inspection will be deemed to be the Trade Secrets of Purchaser, and any such independent accountant will be required to enter into a customary confidentiality agreement with Purchaser. If any underpayment by Purchaser is discovered in the course of such inspection, then within thirty (30) days of written request by Seller, Purchaser will pay Seller the amounts of such underpayment, plus interest in accordance with Section 3.3. Inspections

conducted under this Section 3.8 will be at the expense of Seller, unless a variation or error in favor of Purchaser exceeding five percent (5%) of the amount due for the period covered by the inspection is established in the course of such inspection, whereupon all reasonable, documented, out-of-pocket costs relating to the inspection for such period will be paid promptly by Purchaser. If an overpayment by Purchaser is discovered in the course of such inspection, the amount of such overpayment will be, at Purchaser's election, refunded within thirty (30) days of written request by Purchaser or credited against future Royalty Payments under this Agreement.

3.9 Consignment Inventory. At the Closing, Seller will make available to Purchaser 102,600 units of Product from Lot numbers NNBB and NMAD (the "Consignment Units") to be held by Purchaser on a consignment basis for a period of ninety (90) days following the Closing. Purchaser will have the right to purchase such inventory at a price of $1.46 per unit. Purchaser shall have the right, but not the obligation to purchase any or all of the Consignment Units. In the event Purchaser does intend to purchase all or a portion of the Consignment Units, it shall issue a written notice to Seller accompanied by payment for such units (by wire transfer to Seller's account) and Seller shall promptly transfer title to such purchased units to Purchaser. If Purchaser does not purchase any of the Consignment Units, then Purchaser shall destroy such unpurchased Consignment Units at the end of such ninety (90) day period.

ARTICLE 4
CLOSING AND CLOSING DELIVERABLES

4.1 Closing; Time and Place. The closing of the Transactions (the "Closing") will occur at the offices of Wilson Sonsini Goodrich & Rosati, 650 Page Mill Road, Palo Alto, CA 94304 (or, if agreed by the Parties, electronically through the exchange of documents), at 7:00 a.m. Pacific Time on a date that is five (5) Business Days following the satisfaction of all Closing conditions, other than those conditions which by their nature can only be satisfied at the Closing, or at such other date, time or place as the Parties may agree (the "Closing Date").

4.2 Deliveries by Seller. At the Closing, Seller will deliver to Purchaser each of the following items, duly executed and delivered by the Seller:

4.2.1 Bill of Sale, Assignment and Assumption Agreement. A bill of sale and assignment and assumption agreement, covering the purchase of the Transferred Assets and the assignment to, and assumption by, Purchaser of the Assumed Liabilities, substantially in the form of Exhibit 4.2.1 (the "Bill of Sale, Assignment and Assumption Agreement");

4.2.2 Amendment to DPT Agreement. An amendment, in form and substance reasonably acceptable to Purchaser, to the Research and Development Agreement Services Agreement by and between DPT Laboratories, Ltd., DPT Lakewood, LLC, and Seller, dated April 1, 2014, deleting the obligation to name DPT as a "named insured";

4.2.3 Intellectual Property Assignments.

(a) A patent assignment substantially in the form of Exhibit 4.2.3(a) (the "Patent Assignment");

(b) A trademark assignment substantially in the form of Exhibit 4.2.3(b) (the "Trademark Assignment"); and

(c) A domain name assignment substantially in the form of Exhibit 4.2.3(c) (the "Domain Name Assignment");

4.2.4 FIRPTA Certificate; Tax Forms. A certification substantially in the form provided for in U.S. Treasury Regulations Section 1.1445-2(b)(2) from the Seller, together with a properly executed, complete and correct IRS Form W-9;

4.2.5 Escrow Agreement. The Escrow Agreement;

4.2.6 Release/Consent. A releases or consent in a form acceptable to Purchaser from Solar Capital, releasing the Transferred Assets from any Encumbrances against the Transferred Assets and consenting to Seller's consummation of the transactions contemplated by this Agreement;

4.2.7 Closing Certificate. A certificate dated as of the Closing Date, validly executed by Seller, certifying that all of the conditions set forth in Section 9.1.1(a) and (b) have been satisfied; and

4.2.8 Data Room Copy. An electronic copy of the "Project Meerkat" data room being maintained by Seller in connection with the transactions contemplated hereby, reflecting the contents of such data room as of the Closing Date.

4.3 Deliveries by Purchaser. At the Closing, Purchaser will deliver to Seller each of the following items, duly executed by Purchaser:

4.3.1 Assignment and Assumption Agreement. The Assignment and Assumption Agreement;

4.3.2 Intellectual Property Assignments. The Patent Assignment, Trademark Assignment and Domain Name Assignment;

4.3.3 Escrow Agreement. The Escrow Agreement, duly executed by the Escrow Agent and Purchaser; and

4.3.4 Closing Certificate. A certificate dated as of the Closing Date, validly executed by Purchaser, certifying that all of the conditions set forth in Section 9.2.1(a) and (b) have been satisfied.

4.4 Payment by Purchaser. At the Closing, Purchaser shall make the payments required by Section 3.1.

4.5 Delivery of Transferred Assets. All tangible Transferred Assets together with the Consignment Units will be delivered to Purchaser at the locations of Seller and its Affiliates at which such assets are located in the ordinary course of the operation of the Business at the time of Closing. Risk of loss with respect to the Transferred Assets and Consignment Units will pass to Purchaser on Closing. Purchaser will be responsible for all costs associated with the transport of such assets to the relevant location of Purchaser or its Affiliates. Not later than one (1) Business Day prior to the Closing, Seller will provide Purchaser with a schedule noting the description, quantity and location of all tangible Transferred Assets and Consignment Units to be delivered to Purchaser in accordance with this Section 4.5. Seller will, for a period of at least thirty (30) days following the Closing, make all such tangible Transferred Assets and Consignment Units available to Purchaser during normal business hours. All Product Intellectual Property and other Transferred Assets that can be delivered by electronic transmission will be so delivered or made available to Purchaser at a designated FTP site.

ARTICLE 5
REPRESENTATIONS AND WARRANTIES OF SELLER

Except as set forth in the disclosure schedule delivered by Seller to Purchaser concurrently with the execution and delivery of this Agreement, dated as of the Execution Date (the "Seller Disclosure Schedule") (the parts of which are numbered to correspond to the individual Section numbers of this ARTICLE 5), provided that any information set forth in one section or subsection of the Seller Disclosure Schedule will be deemed to apply to each other section or subsection of the Seller Disclosure Schedule and this ARTICLE 5 to which its relevance is reasonably apparent on its face, Seller represents and warrants to Purchaser as follows:

5.1 Organization. Seller is (a) a legal entity, duly incorporated, validly existing and in good standing under the laws of its jurisdiction of incorporation and (b) duly qualified to do business and in good standing (to the extent such concept is recognized by such jurisdiction) in each jurisdiction in which Seller conducts the Business.

5.2 Power and Authorization. The execution, delivery and performance by Seller of this Agreement and each Ancillary Agreement to which Seller is (or will be) a party and the consummation of the Transactions are within the power and authority of Seller and have been duly authorized by all necessary action on the part of Seller. This Agreement and each Ancillary Agreement to which Seller is (or will be) a party (a) has been (or, in the case of Ancillary Agreements to be entered into at or prior to the Closing, will be) duly executed and delivered by Seller, and (b) is (or, in the case of Ancillary Agreements to be entered into at or prior to the Closing, will be) a legal, valid and binding obligation of Seller, Enforceable against Seller in accordance with its terms.

5.3 Authorization of Governmental Authorities. Except for the filings required for the transfer of Permits and Applicable Product Registrations to Purchaser or the application for the issuance of Permits or Applicable Product Registrations to Purchaser, in each case that are required to conduct the Business, no action by (including any Consent), or in respect of, or filing with, any Governmental Authority is required for, or in connection with, the valid and lawful (a) authorization, execution, delivery and performance by Seller of this Agreement and each Ancillary Agreement or (b) the consummation of the Transactions by Seller.

5.4 Noncontravention. Neither the execution, delivery and performance by Seller of this Agreement or any Ancillary Agreement nor the consummation of the Transactions will: (a) assuming the taking of any action by (including any Consent), or in respect of, or any filing with, any Governmental Authority, in each case, as disclosed in Section 5.4 of the Seller Disclosure Schedule, violate any Legal Requirement applicable to Seller; (b) subject to obtaining the Consents set forth in Section 5.4 of the Seller Disclosure Schedule, violate, breach or constitute a material default or result in the termination or cancellation of any Transferred Contract; (c) result in the creation or imposition of a material Encumbrance upon, or the forfeiture of, any Transferred Asset; or (d) result in a breach or violation of, or default under, the Organizational Documents of Seller.

5.5 Absence of Certain Developments. Since January 1, 2019, (a) Seller has conducted the Business in the Ordinary Course of Business and (b) no event or circumstance has occurred which, individually or in the aggregate, constitutes a Material Adverse Effect.

5.6 Title and Sufficiency.

5.6.1 Seller (or one or more of its Affiliates) has good and valid title to the Transferred Assets, free and clear of all Encumbrances except Permitted Encumbrances. None of the Permitted Encumbrances on the Transferred Assets existing immediately following the Closing would reasonably be expected to materially impair the continued use and operation of the Transferred Assets or the conduct of the Business. Upon consummation of the Transactions at the Closing (assuming the receipt of any necessary Consents disclosed in Section 5.4 of the Seller Disclosure Schedule), Purchaser will

acquire good and valid title to the Transferred Assets, in each case free and clear of all Encumbrances, other than Permitted Encumbrances.

5.6.2 Assuming (a) that Purchaser acquires any necessary supplies, consumables and utilities to operate the Business and (b) Purchaser has the necessary skilled employees to operate the Business, the Transferred Assets comprise all of the material tangible assets of Seller and its Affiliates necessary to conduct the Business in substantially the manner conducted by Seller as of the Closing. Nothing set forth in this Section 5.6 will constitute a representation or warranty of any kind that the Business may be operated by Purchaser following the Closing without infringing or misappropriating the Intellectual Property of any Third Party.

5.7 Intellectual Property.

5.7.1 Schedule 2.1.2 sets out a true and complete list of all material Intellectual Property that is used or required to operate the Business. Seller is the owner of the entire right, title and interest in and to all of the Product Intellectual Property, free and clear of all Encumbrances, other than Permitted Encumbrances. No Action is pending or to Seller's Knowledge, threatened, that challenges the legality, validity, enforceability, use or ownership of any material Product Intellectual Property. The representations and warranties in this Section 5.7.1 do not constitute a representation or warranty of non-infringement or non-misappropriation of Intellectual Property of a Third Party, which is dealt with exclusively in Section 5.7.2.

5.7.2 To Seller's Knowledge, neither Seller's operation of the Business nor the Product has infringed or misappropriated any Intellectual Property of any Third Party. Seller has not received any written charge, complaint, claim, demand, or notice alleging any such infringement or misappropriation (including any claim that Seller must license or refrain from using any Product Intellectual Property or any Intellectual Property of any Third Party in connection with the conduct of the Business). To Seller's Knowledge, no Third Party has interfered with, infringed upon, misappropriated, or otherwise come into conflict with any Product Intellectual Property owned by Seller except as would not, individually or in the aggregate, be material to the Business.

5.7.3 Section 5.7.3 of the Seller Disclosure Schedule identifies (a) all Registered Intellectual Property included in the Product Intellectual Property, (b) each Contract under which Seller has granted to any Third Party rights with respect to any material Product Intellectual Property (other than for confidentiality, material transfer, Customer, supplier and distributor Contracts entered into in the Ordinary Course of Business) (each an "Out-License Agreement") and (c) each Contract under which a Third Party has granted Seller any rights with respect to any material Product Intellectual Property (other than confidentiality, material transfer, Customer, supplier and distributor Contracts entered into in the Ordinary Course of Business) (each an "In-License Agreement"). All required maintenance fees, annuity fees or renewal fees for the Registered Intellectual Property included in the Product Intellectual Property that are due and payable prior to the Closing Date have been or will be paid prior to the Closing Date. To Seller's Knowledge, all unexpired Product Intellectual Property and Intellectual Property used by Seller pursuant to an In-License Agreement that is material to the Business that is registered or has been granted or issued, is Enforceable.

5.7.4 Seller has taken commercially reasonable measures consistent with industry practice in the animal health industry to maintain the confidentiality and value of all Confidential Information and Trade Secrets used or held for use in connection with, and material to, the conduct of the Business and included in the Transferred Assets. To Seller's Knowledge, no information intended to be maintained as a Trade Secret and included in the Transferred Assets that is material to the conduct of

the Business has been disclosed by the Seller to any Person except pursuant to valid non-disclosure or Out-License Agreement containing appropriate confidentiality and non-disclosure obligations. All Product Intellectual Property that is currently used in and is material to the conduct of the Business and that has been conceived, developed or created for Seller by any other Person is the subject of an Enforceable written agreement or other Enforceable arrangement with such Person with respect thereto transferring to Seller such Person's right, title and interest therein and thereto.

5.8 Compliance with Law; Permits.

5.8.1 Schedule 5.8.1 sets forth a true and complete list of all Permits and lists, for each such item, the legal entity who is the licensee or the registrant of such Permit. Commencing on January 1, 2017 and through the Execution Date, Seller is and at all times has been in compliance with all Legal Requirements to the extent applicable to the Business or any of the Transferred Assets or Assumed Liabilities.

5.8.2 Seller has been duly granted all Permits that are material necessary for the conduct of the Business, in each case except for failures to obtain Permits that individually or in the aggregate have not been and would not reasonably be expected to be material to the Business or any of the Transferred Assets or Assumed Liabilities. (a) All material Permits necessary for the conduct of the Business are valid and in full force and effect, (b) Seller is not in material breach or violation of, or material default under, any such Permit, and (c) Seller has filed all material reports, notifications and filings with, and has paid all material regulatory fees to, the applicable Governmental Authority necessary to maintain such Permits in full force and effect.

5.9 Tax Matters.

5.9.1 Except to the extent such failure would adversely impact the Business or the Transferred Assets or Purchaser's operation of the Business or ownership of the Transferred Assets, all material U.S. federal, state, local, and non-U.S. Tax Returns relating to any and all Taxes concerning or attributable to Seller or its Affiliates with respect to the Business have been timely filed, and such Tax Returns are true and correct in all material respects and have been completed in accordance with Legal Requirements.

5.9.2 All material Taxes required to be paid by or on behalf of Seller or any of its Affiliates with respect to the Business (whether or not shown on any Tax Return) have been timely paid. There are no Encumbrances for Taxes upon the Transferred Assets, except for Encumbrances for Taxes not yet due and payable or which are being contested in good faith.

5.9.3 There is no Tax deficiency outstanding, assessed or proposed against or with respect to Seller or any of its Affiliates related to the Business or the Transferred Assets, nor has any outstanding waiver of any statute of limitations on or extension of the period for the assessment or collection of any Tax of or with respect to Seller or any of its Affiliates related to the Business or the Transferred Assets been executed or requested.

5.9.4 Neither Seller nor any of its Affiliates has been notified in writing of any request for an audit, examination or proceeding with respect to any Tax Return of or with respect to Seller or its Affiliates related to the Business or the Transferred Assets, nor is any such audit, examination or proceeding presently in progress.

5.10 Transferred Contracts.

5.10.1 Provision of Contracts. Seller has made available to Purchaser a true and correct copy of each Transferred Contract, in each case as amended as of the Execution Date.

5.10.2 Enforceability. Each Transferred Contract is Enforceable against Seller and, to Seller's Knowledge, each other party there to, and is in full force and effect, and, subject to obtaining any necessary Consents disclosed in Section 5.4 of the Seller Disclosure Schedule, will continue to be so Enforceable and in full force and effect following the Closing.

5.10.3 Breach. Neither Seller nor, to Seller's Knowledge, any other party to any Transferred Contract is in material breach or material violation of, or material default under, or has repudiated any material provision of, any Transferred Contract. Seller has not provided to or received from any other party to a Transferred Contract written notice of any such alleged default or breach.

5.10.4 Termination. Seller has not given any written notice to a Third Party that is a party to any Transferred Contract that it intends to terminate such Transferred Contract and has not received any written notice from any such Third Party stating that such Third Party intends to terminate any Transferred Contract. Seller has not waived any material rights under any Transferred Contract, except in the Ordinary Course of Business.

5.11 Legal Proceedings; Orders. With respect to the Business, (a) there is no, and has never been any, material Action to which Seller is a party (either as plaintiff or defendant) or to which the Transferred Assets are subject, and there is not any such Action now pending, or, to Seller's Knowledge, threatened and, (b) no material Order has been issued which is applicable to Seller, the Transferred Assets or the Business.

5.12 Regulatory Compliance.

5.12.1 Seller is the registered holder of all Applicable Product Registrations. All of the Applicable Product Registrations are valid and in full force and effect. There are no Actions pending or, to Seller's Knowledge, threatened in writing which may result in the revocation, cancellation or suspension of any such Applicable Product Registrations. There are and have been no disciplinary actions under any such Applicable Product Registrations pending or, to Seller's Knowledge, threatened. To Seller's Knowledge, no fact, situation, circumstance, condition or other basis exists which, with notice or lapse of time or both, would constitute a material breach, violation or default under any such Applicable Product Registration or give any Governmental Authority grounds to suspend, revoke or terminate any such Applicable Product Registration.

5.12.2 As of the Execution Date, neither Seller nor any of its Affiliates has received any written communication from any Governmental Authority threatening to withdraw or suspend any Applicable Product Registration that has not been withdrawn or otherwise remedied. There has never been, nor, to Seller's Knowledge, is there currently under consideration by Seller or any Governmental Authority, any seizure, withdrawal, or recall in respect of the Product and Seller has not breached any express warranties given by Seller in connection with the sale of the Product.

5.12.3 During the two years prior to the Execution Date, neither Seller nor any of its Affiliates, with respect to the manufacture of the Products or the Business, has been subject to physical inspections or received written inspection reports from the FDA or any comparable applicable Governmental Authority, in which such Governmental Authority has asserted or alleged in writing that the operations of Seller or such Affiliate were or are not in compliance in with any applicable Legal Requirements. Except for ordinary course inquiries by Governmental Authorities, no Governmental Authority is

presently alleging or asserting, or, to Seller's Knowledge, threatening to allege or assert, noncompliance with any applicable Legal Requirement or Product Registration in respect of the Product.

5.12.4 Neither Seller nor, to Seller's Knowledge, any of its Representative acting on its behalf, in each case, in connection with the Business, has been in violation in any material respect of the U.S. Foreign Corrupt Practices Act (15 U.S.C. §§ 78dd-1, et seq.), the U.K. Bribery Act 2010, or any similar anti-corruption Legal Requirement that apply to the Business, offered, given, promised or authorized the giving of anything of value, directly or indirectly, to any Person, including any Government Official, for the purpose of influencing any action or decision of a Government Official in his or her official capacity to assist Seller in obtaining or retaining business or any business advantage, or directing business to, any Person. For purposes of this Section 5.12, "Government Official" means: (a) any officer, employee or representative of any foreign Governmental Authority; (b) any officer, employee or representative of any public international organization; (c) any person acting in an official capacity for any foreign Governmental Authority identified above; and (d) any foreign political party, party official or candidate for political office.

5.12.5 Neither Seller nor, to Seller's Knowledge, any of its Representative acting on its behalf, in each case, in connection with the Business, has taken any action in violation, in any material respect, of any applicable export control laws or applicable trade or economic sanctions laws of any applicable country in which the Product is sold.

5.13 Inventory. The Transferred Inventory (a) is usable or saleable in the Ordinary Course of Business, (b) has been manufactured in accordance with the specifications and standards contained in the corresponding Applicable Product Registrations and in accordance with all applicable Legal Requirements, and, in the case of Transferred Inventory in finished goods form, has at least twelve (12) months of remaining shelf life based upon the expiration date printed on the packaging. None of the Transferred Inventory is obsolete or expired (other than any Transferred Inventory as to which no value is ascribed) or held on a consignment basis. All units of Product manufactured in the two years prior to the Execution Date were manufactured in accordance with the specifications contained in the Applicable Product Registration and in accordance with applicable Legal Requirements. During the two years prior to the Execution Date, there has not been any adverse events, product returns or warranty obligations in excess of ten percent (10%) of the units of Products shipped in each such calendar year, product recall or market withdrawal or replacement conducted by or on behalf of Seller concerning the Products or, to Seller's Knowledge, any product recall, market withdrawal or replacement conducted by or on behalf of any Third Party as a result of any alleged defect in the Product. Neither Seller nor any of its Affiliates has breached any express or implied warranties in connection with the manufacture or exploitation of any Products.

5.14 Financial Information. Seller has made available to Purchaser or its Representatives the annual Net Sales, Cost of Goods Sold, and gross margin for the Product for the calendar years ended December 31, 2018 and 2019 and the one (1)-month period ended January 31, 2020. Such financial information presents fairly and accurately in all material respects the Net Sales, Cost of Goods Sold and gross margin for the Products as of the dates, and for the periods, indicated therein and was prepared from and in accordance with the accounting books and records of the Seller. The accounting books and records of the Seller are and during all relevant time periods have been maintained in accordance with GAAP. Seller is financially solvent and able to pay its operating expenses and other financial obligations as they become due. The contemplated transaction will not cause Seller to become insolvent or to be unable to pay such obligations. Furthermore, there are no bankruptcy, reorganization, or receivership proceedings pending, being contemplated by or, to Seller's knowledge, threatened in writing against Seller or any of its Affiliates, and no condition exists which would constitute or be deemed to be an act of bankruptcy or insolvency on the part of Seller.

5.15 No Brokers. Except as described on the Seller Disclosure Schedule, Seller has no Liability of any kind to any broker, finder or agent in connection with the Transactions.

5.16 No Other Representations. Purchaser acknowledges that Seller has not made or is not making any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except as provided in ARTICLE 5, and that it is not relying and has not relied on any representations or warranties whatsoever regarding the subject matter of this Agreement, express or implied, except for the representations and warranties in ARTICLE 5.

ARTICLE 6
REPRESENTATIONS AND WARRANTIES OF PURCHASER

Purchaser represents and warrants to Seller as follows:

6.1 Organization. Purchaser is a private limited company, duly organized, validly existing and in good standing under the laws of England and Wales.

6.2 Power and Authorization. The execution, delivery and performance by Purchaser of this Agreement and each Ancillary Agreement to which Purchaser is (or will be) a party and the consummation of the Transactions are within the power and authority of Purchaser and have been duly authorized by all necessary action on the part of Purchaser. This Agreement and each Ancillary Agreement to which Purchaser is (or will be) a party (a) has been (or, in the case of Ancillary Agreements to be entered into at or prior to the Closing, will be) duly executed and delivered by Purchaser, as applicable, and (b) is (or, in the case of Ancillary Agreements to be entered into at or prior to the Closing, will be) a legal, valid and binding obligation of Purchaser, Enforceable against Purchaser in accordance with its terms.

6.3 Authorization of Governmental Authorities. No action by (including any Consent), or in respect of, or filing with, any Governmental Authority is required for, or in connection with, the valid and lawful (a) authorization, execution, delivery and performance by Purchaser of this Agreement and each Ancillary Agreement to which it is (or will be) a party or (b) the consummation of the Transactions by Purchaser.

6.4 Noncontravention. Neither the execution, delivery and performance by Purchaser of this Agreement nor any Ancillary Agreement to which it is (or will be) a party nor the consummation of the Transactions will: (a) violate any provision of any Legal Requirement applicable to Purchaser; (b) result in a breach or violation of, or default under, any Contract of Purchaser; or (c) result in a breach or violation of, or default under, Purchaser's or any Affiliate's Organizational Documents.

6.5 Sufficient Funds. Purchaser has, and at the Closing will have, sufficient immediately available funds to pay the Purchase Price and the Inventory Cost and all of its fees and expenses related to the Transactions and will have, when due and payable hereunder, sufficient immediately available funds to pay each of the Royalty Payments.

6.6 No Brokers. Purchaser has no Liability of any kind to any broker, finder or agent with respect to the Transactions other than those which will be borne by Purchaser.

ARTICLE 7
COVENANTS

7.1 Conduct of Business Prior to the Closing. Except as otherwise contemplated by this Agreement or as set forth in Schedule 7.1, between the date of this Agreement and the Closing Date or the date this Agreement is terminated in accordance with Article 11 (the "Interim Period"), unless Purchaser shall otherwise

provide its prior written consent (which consent shall not be unreasonably withheld, conditioned or delayed), Seller shall, and shall cause each of its Affiliates to, (i) conduct the Business in the Ordinary Course of Business in all material respects and (ii) use its commercially reasonable efforts to preserve in all material respects the present commercial relationships with Persons with whom the Seller or any of its Affiliates deals in connection with the conduct of the Business in the Ordinary Course. Without limiting the generality of the foregoing, except as otherwise contemplated by this Agreement or as set forth in Schedule 7.1, between the date of this Agreement and the Closing Date, without the prior written consent of Purchaser (which consent shall not be unreasonably withheld, conditioned or delayed), Seller shall not, and shall cause each of its Affiliates not to, in connection with the Business:

7.1.1 sell, transfer, lease, license or otherwise dispose of any material Transferred Assets other than (A) pursuant to existing Contracts or (B) in the Ordinary Course of Business;

7.1.2 subject any material Transferred Assets to any Encumbrance, other than a Permitted Encumbrance;

7.1.3 (A) amend, terminate, assign or waive any material provision under any Transferred Contract other than as contemplated by this Agreement, or (B) except in the Ordinary Course of Business, enter into any Contract that, if existing on the Execution Date, would be a Transferred Contract;

7.1.4 except in the Ordinary Course of Business, with respect to the Product, (A) enter into any agreement or arrangement involving rebate, discount or similar arrangements payable or (B) (i) materially modify the customer or supplier pricing, or offer any discounts, rebates or promotions (including providing Products at no cost to a customer), or (ii) engage in channel stuffing or trade loading (*i.e.* increased sales of Products that are materially inconsistent with past practices or historical data) other than in response to bona fide customer orders;

7.1.5 abandon, fail to maintain or assign any Product Intellectual Property;

7.1.6 waive, release, assign, settle or compromise any litigation relating to the Transferred Assets or the Assumed Liabilities, other than (A) in the Ordinary Course of Business, (B) such settlements or compromises that involve only the payment of money and that do not become an Assumed Liability or (C) as would not result in any Liability being imposed on Purchaser or any of its Affiliates after the Closing;

7.1.7 incur any material Liability that would be an Assumed Liability except in the Ordinary Course of Business;

7.1.8 abandon or discontinue the Business;

7.1.9 except in the Ordinary Course of Business, to the extent required by the employee benefit plans and programs of the Seller or any of its Affiliates as in effect as of the Execution Date and for generally applicable compensation reductions, (y) materially reduce the salaries, bonuses, commissions or other compensation due to any employee engaged in the marketing, distribution or sale of the Product in any country in the world to the extent such compensation is payable in respect of such employee's participation in the Business or (z) amend, terminate, assign to a Third Party, or waive any material provision of any Contract, in each case to the extent related to any Product, between Seller or any of its Affiliate, on the one hand, and any Third Party sales representative or agent engaged in the marketing, distribution or sale of the Products anywhere in the world; or

7.1.10 announce an intention to, or enter into any Contract to, do any of the foregoing.

7.2 Access to Information. During the Interim Period, Seller shall afford Purchaser and its Representatives continued reasonable access to the books and records of Seller and furnish Purchaser with such financial, operating and other data and information to the extent in each case maintained exclusively or primarily in connection with the Business, and provide reasonable access during normal business hours and upon reasonable advance notice to employees of Seller engaged in the Business and reasonably agreed to by Seller, in each case for the sole purposes of enabling Purchaser to prepare to transition the Business; provided, however, that such access shall not unreasonably disrupt Seller's ordinary course operations. Notwithstanding anything to the contrary contained in this Agreement, Seller shall not be required to disclose any information or provide any such access if such disclosure or access could, in Seller's reasonable judgment, (i) violate applicable Legal Requirement or any binding agreement entered into prior to the Execution Date, (ii) jeopardize any attorney/client privilege or other established legal privilege, (iii) disclose any Trade Secrets not included in the Product Intellectual Property, or (iv) cause significant competitive harm to the Business if the Transactions contemplated hereby are not consummated; provided, that Seller shall use commercially reasonable efforts to make such disclosure or provide such access in a manner that does not result in the occurrence of any of the items described in the preceding clauses (i) through (iv). All requests for information made pursuant to this Section 7.2 shall be directed to such person or persons as may be designated by Seller, and Purchaser shall not directly or indirectly contact any director or Representative of Seller or any of its Affiliates without the prior approval of such designated person(s). The auditors and independent accountants of Seller shall not be obligated to make any work papers available to any Person under this Agreement unless and until such Person has signed a customary confidentiality and hold harmless agreement relating to such access to work papers in form and substance reasonably acceptable to such auditors or independent accountants.

7.3 Non-Competition. For a period of twenty-four (24) months from the Closing Date, neither Seller nor any of its Affiliates will, either directly or indirectly, engage in the development, manufacture or commercialization of mirtazapine for the treatment of conditions in companion animals anywhere in the world, provided that the foregoing restriction shall not apply to any activities of a Third Party that acquires control of Seller or any of its Affiliates to the extent such activities were initiated prior to such acquisition of control and such activities are segregated from any activities of Seller and its Affiliates and Seller and its Affiliates do not assist such Third Party acquiror in the operation of the competing business. Notwithstanding anything to the contrary in this Agreement, nothing in this Agreement will prohibit or restrict Seller or any of its Affiliates from (a) engaging in any existing business of Seller or any of its Affiliates other than the Business or (b) continuing to research, develop, manufacture, have manufactured or commercialize any existing products and services of Seller or any of its Affiliates other than mirtazapine or the Product.

7.4 Cooperation; Litigation. After the Closing, upon the reasonable request of Purchaser, Seller will use commercially reasonable efforts to, at Purchaser's expense, (a) execute and deliver any and all further materials, documents and instruments of conveyance, transfer or assignment as may reasonably be requested by Purchaser to effect, record or verify the transfer to, and vesting in Purchaser of, the Transferred Assets in accordance with the terms of this Agreement and (b) cooperate with reasonable requests from Purchaser to ensure an orderly transfer of Customer relationships involving the Business to Purchaser. Purchaser and Seller shall reasonably cooperate with each other in the defense or prosecution of any Action, examination or audit instituted prior to the Closing or that may be instituted thereafter against or by either Party or its Affiliates relating to or arising out of the conduct of the Business or the manufacture, sale, marketing or distribution of the Products prior to or after the Closing (other than Actions between Purchaser and Seller or their respective Affiliates arising out of the Transactions contemplated hereby or by the Ancillary Agreements). In connection therewith, from and after the Closing Date, each of Seller and Purchaser shall make available to the other Party and its Representatives during normal business hours and upon reasonable prior written notice, but without unreasonably disrupting its business, all records to the extent relating to the Transferred Assets, the Assumed

Liabilities or the Excluded Liabilities held by it or its Affiliates and reasonably necessary to permit the defense or investigation of any such Action, examination or audit (other than Actions between Purchaser and Seller or their respective Affiliates arising out of the Transactions contemplated hereby or by the Ancillary Agreements, with respect to which applicable rules of discovery shall apply).

7.5 Records and Documents. Without limiting Section 7.4, for a period of three (3) years after the Closing Date (or, if later, until the expiration of any period prescribed by statute for the retention of such records and documents), at the other Party's request, each Party will provide the other Party and its Representatives with access to and the right to make copies of those Transferred Books and Records as may be necessary in connection the preparation of financial statements, or the conduct of any audit or investigation by a Governmental Authority. If any Party desires to dispose of any of such Transferred Books and Records prior to the expiration of such period, the Party seeking disposal will, prior to such disposition, give the other Party a reasonable opportunity, at such Party's expense, to segregate and remove such records and documents as such Party may select.

7.6 Reserved

7.7 Confidentiality. Seller acknowledges that the success of the Business after the Closing depends upon the continued preservation of the confidentiality of certain information possessed by Seller or its Affiliates, that the preservation of the confidentiality of such information by Seller and its Affiliates is an essential premise of the bargain between Seller and Purchaser, and that Purchaser would be unwilling to enter into this Agreement in the absence of this Section 7.7. Accordingly, Seller will not, and will cause each of its Affiliates not to, during the period beginning on the Closing Date and ending on the date five (5) years thereafter, without the prior written consent of Purchaser, disclose any Confidential Information or Trade Secrets to the extent relating to the Business, the Transferred Assets or the Assumed Liabilities; provided, however, that the information subject to the foregoing provisions of this sentence will not include any information that (a) is or becomes generally available to, or known by, the public (other than as a result of disclosure in violation hereof) or (b) is disclosed to Seller by a Third Party without a breach of such Third Party's obligations of confidentiality; and provided, further, that the provisions of this Section 7.7 will not prohibit any retention of copies of records or disclosure (i) required by any applicable Legal Requirement so long as reasonable prior notice is given to Purchaser of such disclosure and a reasonable opportunity is afforded Purchaser to contest the same (other than in the case of disclosures required by any federal and state securities laws and regulations), (ii) required by any applicable federal and state securities laws and regulations or (iii) made in connection with the enforcement of any right or remedy relating to this Agreement or the Transactions.

7.8 Assumption of Regulatory Obligations.

7.8.1 In furtherance of and not in limitation of the assumption of the Assumed Liabilities, following the Closing, Purchaser will be solely responsible for obtaining and maintaining all Permits and Product Registrations in connection with the Business, as well as all ongoing regulatory compliance relating thereto (including the reporting of adverse events).

7.8.2 Without limiting the foregoing, following the Closing, Purchaser will be solely responsible for and will pay any and all fees, costs and expenses as may be required in connection with any communications, filings, reporting and other submissions to the FDA with respect to the Product or under applicable Legal Requirements to maintain all Permits and Applicable Product Registrations with respect to the Product on a worldwide basis, including the "Product Fee", "Establishment Fee" and other fees, costs and expenses under ADUFA (collectively, "Maintenance Fees", and such Maintenance Fees will be "Assumed Liabilities" for all purposes hereunder).

7.9 Publicity. Each of the Parties will consult with the other Party before issuing any press release or making any public statement with respect to this Agreement or the Transactions contemplated hereby and, except for any press release or public statement as may be required to be issued by applicable Legal Requirements or any stock exchange listing agreement, each Party will not issue any such press release or make any such public statement without the prior written consent of the other Party (not to be unreasonably delayed, conditioned or withheld).

7.10 Regulatory Transfers.

7.10.1 As soon as practicable after the Execution Date and in any event not less than ten (10) days prior to the Closing Date, Purchaser and Seller shall agree on a timetable and plan for the Transfer of the Applicable Product Registrations to Purchaser and its Affiliates (the "Transfer Plan"), taking into account any ongoing or planned variation or other regulatory procedures relating to the Transfer of the Applicable Product Registrations. Purchaser and Seller shall (and shall cause their respective Affiliates to) use their respective commercially reasonable efforts, in accordance with the Transfer Plan, to (a) cooperate with one another, (b) complete and execute all documentation required, in each case, to effect the Transfer of the Applicable Product Registrations at Closing or as soon as reasonably practicable following the Closing, and (c) cause the Transfer of any Applicable Product Registrations held by any applicable Third Party. In each country where, pursuant to applicable Legal Requirements, Purchaser, as the transferee of a Applicable Product Registration, is permitted or required to file documents with a Governmental Authority to effectuate the Transfer of such Applicable Product Registration to Purchaser or its designee, Purchaser shall prepare and file all documents necessary to Transfer such Applicable Product Registration as promptly and as diligently as possible in accordance with the Transfer Plan. In each country where, pursuant to applicable Legal Requirements, Seller or the applicable Third Party, as the holder of a Applicable Product Registration, is required to file documents with a Governmental Authority to effectuate the Transfer of such Applicable Product Registration, Seller shall prepare and file or cause to be prepared and filed all documents necessary to Transfer such Applicable Product Registration as promptly and as diligently as possible in accordance with the Transfer Plan. Purchaser shall prepare and file all documents necessary to Transfer the Applicable Product Registrations in each country where, pursuant to applicable Legal Requirements, either Purchaser or Seller may file such required documents. The filing Party shall use commercially reasonable efforts to provide the non-filing Party with advanced drafts of any documents to be filed with a Governmental Authority pursuant to this Section 7.10 and give the non-filing Party the right and a reasonable amount of time to review and comment on the same prior to filing. The filing Party shall consider in good faith any reasonable comments timely provided by the non-filing Party.

7.10.2 The Party that has responsibility for filing (or causing the filing of) the documents with a Governmental Authority to Transfer a Applicable Product Registration will (a) promptly notify the non-filing Party upon the making of any of its submissions to any Governmental Authority for the Transfer of such Applicable Product Registration (providing copies thereof) and the expected approval date (if any is communicated or indicated to the filing Party by the Governmental Authority); (b) provide the non-filing Party with material status updates as to such transfers on an ongoing basis and promptly notify the other Party of any material communication (whether written or oral) from a Governmental Authority in relation to a Transfer and give the non-filing Party reasonable notice of all meetings and telephone calls with any Governmental Authority expected to have a material impact upon a Transfer and give the non-filing Party a reasonable opportunity to participate at each such meeting or telephone call; and (c) notify the non-filing Party in writing of the effectiveness of the Transfer of such Product Registration and the applicable effective date of such Transfer , promptly following the applicable Governmental Authority's approval of such Transfer.

7.10.3 Each Party shall bear its own costs and expenses in connection with the Transfer of the Applicable Product Registrations to Purchaser or its designee; provided, however, that Purchaser shall be responsible for (i) the payment of any filing or similar fees payable to the applicable Governmental Authorities with respect to the Transfer of the Applicable Product Registrations and (ii) any costs and expenses reasonably incurred by Seller or its Affiliates related to the withdrawal or termination of Product Registrations (including any costs and expenses associated with the destruction of any remaining inventory held for the countries for which such Applicable Product Registrations are withdrawn or terminated).

7.10.4 Unless otherwise required by applicable Legal Requirements, from the Closing Date until the relevant date of Transfer for such Applicable Product Registration, Seller shall or shall cause its Affiliates, if applicable to use commercially reasonable efforts to maintain or cause to be maintained in force each Applicable Product Registration and Purchaser shall promptly reimburse Seller for all costs and expenses in connection with maintaining or causing to be maintained such Applicable Product Registrations. Unless otherwise required by applicable Legal Requirements and as may be agreed between the Parties, Seller shall use commercially reasonable efforts to progress or cause to be progressed any pending application filed prior to the Closing Date for an Applicable Product Registration, at Purchaser's cost. Seller shall not, and shall not permit any of its Affiliates to, absent prior written consent from Purchaser, withdraw or suspend an Applicable Product Registration that is pending or in process as of the Closing Date other than in accordance with the Transfer Plan.

7.10.5 Each Party shall, and shall cause its Affiliates to, provide such reasonable assistance to the other Party as is necessary for the other Party to make any filings contemplated to be made by it under this Section 7.10; provided, that in connection with the activities contemplated by this Section 7.10, neither Seller nor any of its Affiliates shall be required to (a) conduct any additional studies or research or generate any additional data, (b) reformat any Product Regulatory Documentation in connection with the activities contemplated under this Section 7.10.5; or (c) take any actions to change the status of a Applicable Product Registration.

7.10.6 Transfer of legal title to the Applicable Product Registrations that will be transferred to Purchaser or any of its Affiliates or designees shall be effective as of the applicable Transfer Date. If, despite Seller complying with its obligations hereunder, any Applicable Product Registration has not been transferred to Purchaser or its designee on or before the first anniversary of the Closing Date or, if later, the transfer date specified in the Transfer Plan for the Transfer of such Applicable Product Registration, Seller or the applicable Third Party Applicable Product Registration holder shall have the right to withdraw or terminate such Applicable Product Registration. Seller shall provide written notice to Purchaser of any such withdrawal or termination.

7.11 Use of Name; NDC Numbers. The Parties acknowledge and agree that the name "Kindred Biosciences" is not included as part of the Transferred Assets. Purchaser may continue to use in each such country the name "Kindred Biosciences" and related trade dress in connection with the use and sale of Transferred Inventory bearing such name as of the Closing until the date that Purchaser has sold all Transferred Inventory. Until the date on which Purchaser has sold all of the Transferred Inventory, Purchaser will be permitted to sell such Transferred Inventory using Seller's national drug code ("NDC") numbers for the Product as of the Closing Date. Seller will maintain Seller's NDC numbers for the Product at all times after the Closing Date until the shelf life of all Transferred Inventory constituting finished goods as of the Closing has expired based upon the expiration date printed on the packaging.

7.12 Product Returns. Purchaser shall have sole responsibility for accepting and processing all returns following the Closing of units of Products sold and for disbursing refunds and credits in respect thereof

(whether any such units of Product was sold prior to, on or after the Closing Date). If any units of Product that were sold after the Closing and which are received as returns by Seller or any of its Affiliates following the Closing, Seller shall, or shall cause its Affiliates to, ship such units of Product to Purchaser or its designee, at Purchaser's sole cost and expense. If any units of Product that were sold prior to the Closing and which are received as returns by Seller or any of its Affiliates following the Closing, Seller shall, or shall cause its Affiliates to, ship such units of Product to Purchaser or its designee, at Seller's sole cost and expense. In the event that, on or after the Closing Date, Purchaser disburses a refund or credit to a customer for a return of a Product sold prior to the Closing Date or a customer makes a claim against Seller or Purchaser (or any of their respective Affiliates) in connection with a return of Product (which may be in the form of invoice deductions for amounts associated with such returned units of Product) sold prior to the Closing Date, then Seller shall reimburse Purchaser for such refund, credit or any such customer claims. If such return costs in any Calendar Quarter exceed $1,000, Purchaser shall on a quarterly basis provide a written invoice to Seller for any such costs incurred during the prior quarter and Seller shall promptly reimburse Purchaser for any such costs within thirty (30) days of receipt of each such invoice.

7.13 Notification of Certain Matters.

7.13.1 During the Interim Period, Purchaser, on the one hand, and the Seller, on the other hand, shall give each other prompt notice in writing of: (i) any result, occurrence, fact, change, event or effect that (A) renders, or would reasonably be expected to render, any representation or warranty of such party set forth in this Agreement to be untrue or inaccurate to an extent such that the conditions set forth in Section 9.1 or Section 9.2, as applicable, would not be satisfied if the Closing were to then occur, or (B) results or would reasonably be expected to result in any failure of such party to comply with or satisfy in any material respect any covenant, condition or agreement to be completed with or satisfied by such party under this Agreement; or (ii) any Actions commenced or, to Seller's Knowledge or to Purchaser's knowledge, as applicable, threatened, which relate to the consummation of the Transactions; provided, that no such notification, nor any failure to make such notification, shall affect any of the representations, warranties, covenants, rights or remedies, or the conditions to the obligations of, the parties.

7.13.2 From the date of this Agreement through the earlier of the Closing or the termination of this Agreement in accordance with its terms, Seller shall give Purchaser prompt notice in writing of: (a) any notices received by or claims filed against Seller or any of its Affiliates alleging a material violation of or material non-compliance with any Legal Requirements with regard to the Business, (b) any notices received by Seller or any of its Affiliates alleging the failure to hold any material Permit relating with regard to the Business; and (c) any Actions relating to the Business or any of the Transferred Assets or Assumed Liabilities initiated or threatened in writing against Seller or any of its Affiliates or any officer, director or employee thereof.

7.14 Accounts Receivable and Payables; Excess Inventory.

7.14.1 Accounts Receivable. The Parties acknowledge and agree that all Accounts Receivable outstanding on the Closing Date or relating to the conduct or operation of the Business by Seller prior to the Closing Date shall remain the property of Seller or its Affiliates and shall be collected by Seller or its Affiliates subsequent to the Closing. In the event that, subsequent to the Closing, Purchaser or an Affiliate of Purchaser receives any payments from any obligor with respect to an Account Receivable, then Purchaser shall, or shall cause its applicable Affiliate to, within thirty (30) days after receipt of such payment, remit the full amount of such payment to Seller. In the case of the receipt by Purchaser or any of its Affiliates of any payment from any obligor of both Seller or any of Seller's Affiliates (with respect to the Business), on the one hand, and Purchaser or any of Purchaser's

Affiliates, on the other hand, then, unless otherwise specified by such obligor, such payment shall be applied first to amounts owed to Purchaser or its applicable Affiliate with the excess, if any, remitted to Seller. In the event that, subsequent to the Closing, Seller or any of its Affiliates receives any payments from any obligor with respect to an account receivable of Purchaser or any of its Affiliates related to the conduct or operation of the Business by Purchaser on or after the Closing Date, then Seller shall, or shall cause its applicable Affiliate to, within thirty (30) days after receipt of such payment, remit the full amount of such payment to Purchaser. In the case of the receipt by Seller or any of its Affiliates of any payment from any obligor of both Seller or any of Seller's Affiliates (with respect to the Business), on the one hand, and Purchaser or any of Purchaser's Affiliates, on the other hand, then, unless otherwise specified by such obligor, such payment shall be applied first to amounts owed to Seller or its applicable Affiliate with the excess, if any, remitted to Purchaser.

7.14.2 Accounts Payable. In the event that, subsequent to the Closing, Purchaser or an Affiliate of Purchaser receives any invoices from any Third Party with respect to any account payable of the Business outstanding prior to the Closing or relating to the conduct or operation of the Business by Seller prior to the Closing Date, then Purchaser shall, or shall cause its applicable Affiliate to, within thirty (30) days after receipt of such invoice, provide such invoice to Seller. In the event that, subsequent to the Closing, Seller or any of its Affiliates receives any invoices from any Third Party with respect to any account payable of Purchaser or any of its Affiliates related to the conduct or operation of the Business by Purchaser on or after the Closing Date, then Seller shall, or shall cause its applicable Affiliate to, within 30 days after receipt of such invoice, provide such invoice to Purchaser.

7.14.3 Excess Inventory. To the extent at the Closing, Seller possesses or controls units of Product in excess of the Transferred Inventory (including the Discounted Units) and the Consignment Units, it shall within thirty (30) days of Closing destroy all such excess inventory. Without limiting the foregoing, Seller further agrees that it will not sell, give away or otherwise make available to any Third Party any such excess inventory.

7.15 Wrong Pockets.

7.15.1 Assets. Following the Closing, if either Purchaser or Seller becomes aware that any of the Transferred Assets has not been transferred to Purchaser, it shall promptly notify the other Party in writing and the Parties shall, as soon as reasonably practicable, ensure that such asset is transferred, with any necessary prior Third Party consent or approval, to Purchaser.

7.15.2 Payments. If, on or after the Closing Date, either Party shall receive any payments or other funds due to the other pursuant to the terms of this Agreement or any Ancillary Agreement, then the Party receiving such funds shall, within sixty (60) days after receipt of such funds, forward such funds to the proper Party. The Parties acknowledge and agree that there is no right of offset regarding such payments and a Party may not withhold funds received from Third Parties for the account of the other Party in the event there is a dispute regarding any other issue under this Agreement or any of the Ancillary Agreements.

7.16 Rebates. Seller shall, and shall cause its applicable Affiliates to, (a) either assign to Purchaser at the Closing or terminate prior to the Closing, as mutually agreed between the Parties as promptly as practicable after the Execution Date, each Rebate, promotional and other similar program relating to the sale of Products and (b) with respect to any Rebates related to Products sold by Seller or its Affiliates prior to the Closing, within a reasonable period of time after the Closing, pay all amounts owing and accrued under each such program to the applicable customer. Purchaser shall be responsible for all Rebates for Products sold from and after the Closing Date. In the event that, on or after the Closing Date, Seller or Purchaser (or any of their

respective Affiliates) receives any request for a Rebate for which the other Party is responsible pursuant to this Section 7.16, then, at the option of Party that receives (or whose Affiliate receives) such Rebate request, either (x) the Party that receives (or whose Affiliate receives) such Rebate request shall submit, on a quarterly basis, such request to the other Party for payment by the other Party or (y) the Party that receives (or whose Affiliate receives) such Rebate request shall pay the amount of such Rebate and the other Party shall promptly (and in any event no later than thirty (30) days following the receiving Party's quarterly request) reimburse the other Party for the amount thereof.

7.17 Communications with Customers and Suppliers. Prior to the Closing, the Parties shall reasonably cooperate with each other in coordinating their communications with any customer, supplier or other contractual counterparty of the Business in relation to the Transactions. Prior to the Closing, without the prior written consent of the Seller, Purchaser shall not, and shall cause its Affiliates and its and their Representatives not to, contact or otherwise engage in any communications with any customer, supplier or other contractual counterparty of the Business.

7.18 Further Assurances.

7.18.1 Each of Seller and Purchaser shall, at any time or from time to time after the Closing, at the request and expense of the other, execute and deliver to the other all such instruments and documents or further assurances as the other may reasonably request in order to (a) vest in Purchaser all of Seller's right, title and interest in and to the Transferred Assets as contemplated hereby, (b) effectuate Purchaser's assumption of the Assumed Liabilities and (c) grant to each Party all rights contemplated herein to be granted to such Party under the Ancillary Agreements.

7.18.2 After the Closing Date, at Purchaser's request and expense, Seller shall, and shall cause its Affiliates to (as applicable) unlock the domain names listed on Schedule 5.7and furnish to Purchaser or the applicable domain name registrar, any authorization code or other information required by each applicable Internet domain name registrar for the such domain names to transfer the rights in, and control over, the such domain names to Purchaser or its designee.

7.19 Offers to Former Seller Employees. Prior to the Closing, Purchaser shall make commercially reasonable efforts to extend offers of employment (subject to Purchaser's recruitment policy and guidelines) to at least eight (8) of the former Seller employees. Such offers will be made consistent with Purchaser's compensation and benefits policies.

ARTICLE 8
TAX MATTERS

8.1 Allocation. Seller will deliver to Purchaser an allocation of the Purchase Price and the Assumed Liabilities among the Transferred Assets and among Purchaser and any of its Affiliates in accordance with the methodology set forth on Schedule 8.1 and Section 1060 of the Code, within ninety (90) days of the Closing Date, or as soon thereafter as reasonably practicable (the "Allocation Schedule"). If Purchaser agrees to such Allocation Schedule, Purchaser and Seller agree to report and to cause each of their respective Affiliates to report the Transactions in a manner consistent with the Allocation Schedule for all Tax purposes, and that none of them will take any position or cause their respective Affiliates to take any position inconsistent therewith in any Tax Return, in any refund claim, in any litigation, or otherwise, unless otherwise required by applicable Legal Requirements. As required by Legal Requirements, Purchaser and Seller will cooperate with each other in preparing IRS Form 8594 and any other Tax documentation consistent with the Allocation Schedule. Purchaser and Seller will promptly notify the other Party in writing upon receipt of notice of any pending or threatened Tax audit or assessment challenging the Allocation Schedule.

8.2 Transfer Taxes. All sales (including bulk sales), use, transfer, value-added, goods and services, recording, ad valorem, privilege, documentary, gains, gross receipts, registration, conveyance, excise, license, stamp, duties or similar Taxes and fees ("Transfer Taxes") resulting from the Transactions will be borne 50% by Purchaser, on the one hand, and 50% by Seller, on the other hand, provided, any Transfer Taxes that are recoverable by Purchaser shall be borne 100% by Purchaser. The Party required by applicable Legal Requirements to file a Tax Return with respect to such Transfer Taxes will do so within the time period prescribed by applicable Legal Requirements. To the extent permitted by applicable Legal Requirements, the Parties will cooperate in taking reasonable steps to minimize any Transfer Taxes.

ARTICLE 1
CONDITIONS PRECEDENT

1.1 Conditions to Obligations of Seller. The obligation of Seller to consummate the Transactions shall be subject to the fulfillment, at or prior to the Closing, of each of the following conditions, any of which may, to the extent permitted by applicable Legal Requirements, be waived in writing by Seller in its sole discretion:

1.1.1 Representations, Warranties and Covenants.

(a) (i) The Fundamental Representations and Warranties of Purchaser shall be true and correct in all respects as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such Fundamental Representations and Warranties expressly relate to an earlier date, in which case as of such earlier date), and (ii) the other representations and warranties of Purchaser contained in ARTICLE 6 (A) that are qualified as to materiality shall be true and correct in all respects as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date) and (B) that are not qualified as to materiality shall be true and correct in all material respects as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date).

(b) Purchaser shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

1.1.2 No Injunctions or Restraints. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Legal Requirements (whether temporary, preliminary or permanent) that is then in effect and that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the Transactions.

1.1.3 Closing Deliveries. Purchaser shall have delivered to Seller each of the items listed in Section 4.3.

1.2 Conditions to Obligations of Purchaser.

1.2.1 Representations, Warranties and Covenants.

(a) (i) The Fundamental Representations and Warranties of the Seller shall be true and correct in all respects as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such Fundamental Representations and Warranties expressly

relate to an earlier date, in which case as of such earlier date), and (ii) the other representations and warranties of the Seller contained in ARTICLE 5 (A) that are qualified as to Material Adverse Effect or materiality shall be true and correct in all respects as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date) and (B) that are not qualified as to Material Adverse Effect or materiality shall be true and correct in all material respects as of the date hereof and as of the Closing Date as though made on the Closing Date (except to the extent such representations and warranties expressly relate to an earlier date, in which case as of such earlier date).

(b) Seller shall have performed in all material respects all obligations and agreements and complied in all material respects with all covenants and conditions required by this Agreement to be performed or complied with by it prior to or at the Closing.

1.2.2 No Injunctions or Restraints. No Governmental Authority shall have enacted, issued, promulgated, enforced or entered any Legal Requirements (whether temporary, preliminary or permanent) that is then in effect and that enjoins, restrains, makes illegal or otherwise prohibits the consummation of the Transactions

1.2.3 Consents. Seller shall have delivered to Purchaser each of the consents set forth on Schedule 9.2.3.

1.2.4 Closing Deliveries. Seller shall have delivered to Purchaser each of the items listed in Section 4.2.

ARTICLE 2
INDEMNIFICATION

2.1 Indemnification by Seller. Seller will indemnify and hold harmless Purchaser and its Affiliates, officers, directors, employees, agents, successors and permitted assigns (the "Purchaser Indemnitees") from and against any and all Damages which any Purchaser Indemnitee may incur or suffer, directly or indirectly, as a result of, with respect to, in connection with or relating to (a) the breach of, or inaccuracy in, any representation or warranty made by Seller in this Agreement, (b) the breach of any covenant or obligation of Seller contained in this Agreement, or (c) any Excluded Liability. Purchaser will take, and will cause the other Purchaser Indemnitees to take, commercially reasonable steps to mitigate any Damages upon becoming aware of any event that would reasonably be expected to, or does, give rise to an Indemnification Claim hereunder.

2.2 Indemnification by Purchaser. Purchaser will indemnify and hold harmless Seller and its Affiliates, officers, directors, employees, agents, successors and permitted assigns (the "Seller Indemnitees") from and against any and all Damages which any Seller Indemnitee may incur or suffer, directly or indirectly, as a result of, with respect to, in connection with or relating to (a) the breach of, or inaccuracy in, any representation or warranty made by Purchaser in this Agreement, (b) the breach of any covenant or agreement of Purchaser contained in this Agreement, or (c) any Assumed Liability. Seller will take, and will cause the other Seller Indemnitees to take, commercially reasonable steps to mitigate any Damages upon becoming aware of any event that would reasonably be expected to, or does, give rise to an Indemnification Claim hereunder.

2.3 Scope of Seller's Liability. Indemnification will be available to Purchaser Indemnitees under Section 10.1(a), (i) only to the extent the aggregate amount of Damages otherwise due to Purchaser Indemnitees for all claims for such indemnification exceeds $250,000 (the "Deductible"), and then indemnification will be available to Purchaser Indemnitees for the amount of all payments due to Purchaser Indemnitees under

Section 10.1(a) in excess of the Deductible, but only to the extent such Damages do not exceed $4,300,000 (the "General Representation Cap") and (ii) with respect to any individual claim, only to the extent that the Damages arising under any individual item (or series of related items) exceeds $35,000 (the "Per Claim Threshold"). Notwithstanding the foregoing, the Deductible, the General Representation Cap and the Per Claim Threshold will not apply to Damages arising or resulting from (1) any breach of any covenant or obligation of Seller contained in this Agreement, (2) a breach of, or inaccuracy in, any of the representations and warranties set forth in Section 5.1, Section 5.2, Section 5.6.1, and Section 5.14 (collectively, the "Fundamental Representations and Warranties"), (3) any Excluded Liability, or (4) common law fraud committed by or on behalf of the Seller in connection with the Transactions. Notwithstanding anything to the contrary in this Agreement, in no event shall the Seller be liable for any amount in excess of the Purchase Price actually received by the Seller (including, for clarity, in the case of any breach of any covenant (other than the non-competition covenant set forth in Section 7.3) or obligation of Seller contained in this Agreement or any breach of, or inaccuracy in, any Fundamental Representations and Warranties); provided, however, that the foregoing limitation shall not apply in the case of common law fraud committed by or on behalf of the Seller or breach by Seller or any Affiliate of Seller of the non-competition covenant set forth in Section 7.3.

2.4 Claims. Any Purchaser Indemnitee or Seller Indemnitee claiming it may be entitled to indemnification under this Section 10.4 (the "Indemnified Party") must, as a condition to being entitled to indemnification hereunder, give prompt written notice to the other Party (the "Indemnifying Party") of each matter, Action, cause of action, claim, or demand upon which a claim for indemnification (an "Indemnification Claim") hereunder may be based. Such notice must contain, with respect to each Indemnification Claim, such facts and information with respect to such Indemnification Claim as are then reasonably available, the estimated amount of Damages with respect thereto and in reasonable detail the basis for indemnification hereunder. Failure to give prompt notice of an Indemnification Claim hereunder will not affect the Indemnifying Party's obligations hereunder, except to the extent the Indemnifying Party is prejudiced by such failure.

2.5 Defense of Actions. The Indemnified Party will permit the Indemnifying Party, at the Indemnifying Party's option and expense, to assume the complete defense of any Indemnification Claim based on any Action, claim, demand or assessment by any Third Party with full authority to conduct such defense and to settle or otherwise dispose of the same, and the Indemnified Party will fully cooperate in such defense; provided the Indemnifying Party will not, in defense of any such Action, claim, demand or assessment, except with the prior written consent of the Indemnified Party (which consent will not be unreasonably withheld), consent to the entry of any judgment or enter into any settlement (a) which provides for any relief other than the payment of monetary damages and (b) which does not include as an unconditional term thereof the giving by the Third Party claimant to the Indemnified Party of a release from all liability in respect thereof. After notice to the Indemnified Party of the Indemnifying Party's election to assume the defense of such Action, claim, demand or assessment, the Indemnifying Party will be liable to the Indemnified Party only for such legal or other expenses subsequently incurred by the Indemnified Party in connection with the defense thereof at the request of the Indemnifying Party. As to those Third Party Actions, claims, demands or assessments with respect to which the Indemnifying Party does not elect to assume control of the defense, the Indemnified Party will afford the Indemnifying Party an opportunity to participate in such defense, at its cost and expense, and will consult with the Indemnifying Party prior to settling or otherwise disposing of any of the same. The Indemnified Party will not settle any Indemnification Claim without the prior written consent of the Indemnifying Party, such consent not to be unreasonably withheld.

2.6 Time Limitation; Survival. No Indemnification Claim may be made, or Action with respect thereto instituted, after the date that is twelve (12) months after the Closing Date with respect to claims for indemnification pursuant to Section 10.1 and claims for indemnification pursuant to Section 10.1 with respect to covenants and obligations required to be performed prior to or at the Closing, provided, however, that claims

for indemnification for breach of the Fundamental Representations and Warranties may be made, and Actions with respect thereto may be instituted, at any time prior to eighteen (18) months following the Closing Date.

2.7 Exclusive Remedy. From and after the Closing, and except as described in Section 10.3, this ARTICLE 10 provides the exclusive means by which a Party may assert and remedy any claims arising out of or directly or indirectly relating to this Agreement or the negotiation or performance hereof, or the Transactions; and effective upon the Closing, each Party hereby waives and releases any other remedies that it may have against the other Party (or any of its Affiliates) with respect to such claims. Notwithstanding the foregoing, this Section 10.7 will not constitute a waiver or release of any obligation of Purchaser to pay the Royalty Payments.

2.8 Tax Treatment of Indemnity Payments. Any indemnity payment under this Agreement will be treated as an adjustment to the Purchase Price for Tax purposes unless otherwise required by applicable Legal Requirements.

2.9 Limitation of Liability, Disclaimer of Consequential Damages. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LEGAL REQUIREMENTS, NEITHER PARTY WILL BE LIABLE TO THE OTHER FOR INDEMNIFICATION PURSUANT TO THIS ARTICLE 10, AND NO DAMAGES INDEMNIFIABLE HEREUNDER WILL INCLUDE, CONSEQUENTIAL DAMAGES WHICH ARE NOT REASONABLY FORESEEABLE, ANY SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES (EXCEPT TO THE EXTENT SUCH SPECIAL, EXEMPLARY OR PUNITIVE DAMAGES ARE AWARDED OR PAID TO A THIRD PARTY IN CONNECTION WITH AN ACTION BROUGHT BY SUCH THIRD PARTY), HOWEVER CAUSED, UNDER ANY THEORY OF LIABILITY, REGARDLESS OF WHETHER SUCH PARTY HAS BEEN NOTIFIED OF THE POSSIBILITY OF SUCH DAMAGES.

2.10 Net of Insurance. The amount of any and all Damages for which indemnification is provided pursuant to this ARTICLE 10 will be net of any amounts actually received by a Seller Indemnitee or Purchaser Indemnitee, as the case may be, with respect to such Damages under insurance policies after giving effect to any deductible, retention or equivalent loss rated premium adjustment and any costs or expenses incurred in recovering such insurance proceeds or indemnification. In any case where an Indemnified Party subsequently recovers from an insurer any amount in respect of a matter with respect to which an Indemnifying Party has indemnified it pursuant to this ARTICLE 10, such Indemnified Party will promptly pay over to the Indemnifying Party the amount so recovered (after deducting therefrom the full amount of the expenses incurred by it in procuring such recovery), but not in excess of any amount previously so paid by the Indemnifying Party to or on behalf of the Indemnified Party in respect of such matter.

2.11 Right of Setoff; Priority. Subject to the limitations set forth in this Article 10, Purchaser shall have the right, but not the obligation, to set off any amounts owed by Seller to Purchaser, against up to thirty five percent (35%) of any unpaid Royalty Payment. Any amounts payable to Purchaser pursuant to this Article 10 shall be satisfied in the following order of priority: (i) first, from the Escrow Fund; (ii) second, pursuant to Purchaser's then-available set-off rights under this Section 10.11, and (iii) third, to the extent the amount of Damages exceeds the amounts available to Purchaser in the Escrow Fund and pursuant to any then-available set-off rights, from the Seller.

ARTICLE 3
TERMINATION

3.1 Termination. This Agreement may be terminated at any prior to the Closing:

3.1.1 by mutual written consent of Purchaser and Seller;

3.1.2 by Seller, if Seller is not in material breach of its obligations under this Agreement and Purchaser breaches or fails to perform in any respect any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 9.1, (ii) cannot be or has not been cured by the Termination Date and (iii) has not been waived by Seller;

3.1.3 by Purchaser, if Purchaser is not in material breach of its obligations under this Agreement and Seller breaches or fails to perform in any respect any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform (i) would give rise to the failure of a condition set forth in Section 9.2, (ii) cannot be or has not been cured by the Termination Date and (iii) has not been waived by Purchaser; or

3.1.4 by either Seller or Purchaser if the Closing has not occurred by June 15, 2020 (the "Termination Date"); provided, that the right to terminate this Agreement under this Section 11.1.4 shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of the Closing to occur on or prior to the Termination Date.

The party seeking to terminate this Agreement pursuant to this Section 11.1 (other than Section 11.1.1) shall give prompt written notice of such termination to the other party

3.2 Effect of Termination. In the event of termination of this Agreement as provided in Section 11.1, this Agreement shall forthwith become void and there shall be no Liability on the part of either party except (a) for the provisions of each of Section 7.6, Section 7.8, this Section 11.2 and ARTICLE 12 and (b) that nothing herein shall relieve either party from Liability for any breach of this Agreement or any agreement made as of the date hereof or subsequent thereto pursuant to this Agreement.

ARTICLE 4
MISCELLANEOUS PROVISIONS

4.1 Waiver. Purchaser hereby waives and releases, on behalf of itself and the other Purchaser Indemnitees, any right or any claim with respect to this Agreement or the Transactions based on any representations and warranties other than those expressly set forth in this Agreement or any Ancillary Agreement.

4.2 Financial Statements and Projections.

4.2.1 In connection with Purchaser's investigation of the Business, Purchaser may have received from Seller various forward-looking statements regarding the Business (including the estimates, assumptions, projections, forecasts and plans furnished to it) (the "Forward-Looking Statements"). Purchaser acknowledges and agrees (a) there are uncertainties inherent in attempting to make the Forward-Looking Statements; (b) Purchaser is familiar with such uncertainties; (c) Purchaser is taking full responsibility for making its own investigation, examination and valuation of the Business; (d) Purchaser is taking full responsibility for making its own evaluation of the adequacy and accuracy of all Forward-Looking Statements; (e) Purchaser is not relying on any Forward-Looking Statement in any manner whatsoever; and (f) with respect to the foregoing, Purchaser will have no claim against Seller or any of its Affiliates except as may arise from any inaccuracy in any representation or warranty set forth in this Agreement.

4.2.2 Seller makes no representation or warranty with respect to any Forward-Looking Statement made (a) in the Data Room, (b) in any supplemental due diligence information provided to

Purchaser, (c) in connection with Purchaser's discussions with management of the Business, (d) in negotiations leading to this Agreement or (e) in any other circumstance.

4.3 Specific Performance. Each of the Parties acknowledges and agrees that the other Party may be damaged irreparably in the event any of the provisions of this Agreement are not performed in accordance with their specific terms or otherwise are breached or violated. Accordingly, each of the Parties agrees that the other Party is entitled to seek an injunction or injunctions to prevent breaches or violations of this Agreement and to enforce specifically this Agreement and the terms and provisions hereof in any Action instituted in any court of the United States or any state thereof having jurisdiction over the Parties and the matter in addition to any other remedy to which it may be entitled, at law or in equity.

4.4 Expenses. Except as set forth in Section 8.2, whether or not the Transactions are consummated, each Party will pay its own costs and expenses in connection with this Agreement and the Transactions, including the fees and expenses of its advisers, accountants and legal counsel. Notwithstanding the foregoing, Purchaser shall pay any fees and expenses owing to the Escrow Agent pursuant to the Escrow Agreement.

4.5 Interpretation. Except as otherwise explicitly specified to the contrary in this Agreement, (a) references to a section, exhibit or schedule means a section of, or schedule or exhibit to, this Agreement, (b) the word "including" (in its various forms) means "including without limitation," (c) references to a particular statute or regulation include all rules and regulations thereunder and any predecessor or successor statute, rules or regulation, in each case as amended or otherwise modified from time to time, (d) words in the singular or plural form include the plural and singular form, respectively, (e) references to a particular Person include such Person's successors and assigns to the extent not prohibited by this Agreement, (f) unless otherwise specified "$" is in reference to United States dollars, and (g) the headings contained in this Agreement, in any exhibit or schedule to this Agreement and in the table of contents to this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

4.6 Entire Agreement; Survival. This Agreement together with the Ancillary Agreements, constitutes the entire agreement between and among the Parties with regard to the subject matter of this Agreement, and supersedes all prior agreements and understandings with regard to such subject matter, except for the Confidentiality Agreement. Except for the Confidentiality Agreement, there are no agreements, representations or warranties between or among the Parties other than those set forth in the Agreement or the Ancillary Agreements. This Agreement will survive the Closing and remain in full force and effect. Following the Closing, the Ancillary Agreements and all obligations and liability thereunder will be subject to the terms, provisions and limitations of this Agreement.

4.7 Amendment, Waivers and Consents. This Agreement may not be changed or modified, in whole or in part, except by supplemental agreement or amendment signed by the Parties. Each Party may waive compliance by the other Party with any of the covenants or conditions of this Agreement, but no waiver will be binding unless executed in writing by the Party making the waiver. No waiver of any provision of this Agreement will be deemed, or will constitute, a waiver of any other provision, whether or not similar, nor will any waiver constitute a continuing waiver. Any consent under this Agreement must be in writing and will be effective only to the extent specifically set forth in such writing.

4.8 Successors and Assigns. Subject to the immediately following sentence, this Agreement will be binding upon and inure to the benefit of the Parties and their respective successors and permitted assigns, each of which such successors and permitted assigns will be deemed to be a party hereto for all purposes hereof. Neither Party may assign, delegate or otherwise transfer either this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other Party, and any attempt to do so will be null and void *ab initio*; provided, that (a) each Party may assign this Agreement and any or all of

its rights and interests hereunder to one or more of its Affiliates or designate one or more of its Affiliates to perform its obligations hereunder, in each case, so long as such Party is not relieved of any liability or obligations hereunder, (b) each Party may assign this Agreement and any or all of its rights and interest hereunder to any purchaser of all or substantially all of its assets or business related to this Agreement (whether by merger, stock purchase, asset purchase or otherwise), provided that, in the case of such an assignment by purchaser, the assignee expressly agrees in writing to assume the obligations in Sections 3.2 and 3.8 as a condition to such assignment, (c) each Party may collaterally assign any or all of its rights and obligations hereunder to any provider of financing to it or any of its Affiliates, and (d) Seller may assign its right to receive Royalty Payments under this Agreement to a Third Party in connection with a payment factoring transaction and, in connection with such assignment, may disclose to the assignee any royalty reports received under Section 3.3 and the results of any audit conducted under Section 3.8, provided that such assignee agrees in writing to be bound by confidentiality obligations with respect to such information that are no less restrictive than the provisions of Section 7.5, provided, further, if any assignment by Purchaser increases the amount of deduction or withholding for Taxes required under Section 3.4, such assignee shall pay the Seller such amounts as are required so that Seller receives the same amount, after such deduction or withholding, as Seller would have received had no assignment been made.

4.9 Governing Law. The rights and obligations of the Parties will be governed by, and this Agreement will be interpreted, construed and enforced in accordance with, the laws of the State of Delaware, excluding its conflict of laws rules to the extent such rules would apply the law of another jurisdiction.

4.10 Jurisdiction. Any judicial proceeding brought against any Party or any dispute arising out of this Agreement or related to this Agreement, or to the negotiation or performance hereof, must be brought in the Chancery Court of the State of Delaware located within New Castle County, and, by execution and delivery of this Agreement, each of the Parties accepts the exclusive jurisdiction of such court, irrevocably agrees to be bound by any judgment rendered thereby in connection with this Agreement and waives any claim and will not assert that venue should properly lie in any other location within the selected jurisdiction. The consents to jurisdiction in this Section 12.10 will not constitute general consents to service of process in the State of Delaware for any purpose except as provided in this Section 12.10 and will not be deemed to confer rights on any Person other than the Parties. Service of any process, summons, notice or document by United States mail to a Party's address for notice provided in or in accordance with Section 12.13 will be effective service of process for any action, suit or proceeding in the State of Delaware with respect to any matters for which it has submitted to jurisdiction pursuant to this Section 12.10.

4.11 Rules of Construction. The Parties acknowledge that each Party has read and negotiated the language used in this Agreement. Because each Party participated in negotiating and drafting this Agreement, no rule of construction will apply to this Agreement which construes ambiguous language in favor of or against any Party by reason of that Party's role in drafting this Agreement.

4.12 Severability. If any provision of this Agreement, as applied to either Party or to any circumstance, is declared by a court of competent jurisdiction to be illegal, unenforceable or void, this Agreement will continue in full force and effect without said provision.

4.13 Notices. Any notice required or permitted to be given hereunder must be provided in writing and (a) delivered in person or by express delivery or courier service, (b) sent by facsimile or e-mail, or (c) deposited in the mail registered or certified first class, postage prepaid and return receipt requested (provided that any notice given pursuant to subsection (b) of this Section 12.13 is also confirmed by the means described in subsections (a) or (c) of this Section 12.13) to such address or facsimile of the Party set forth in this Section 12.13 or to such other place or places as such Party from time to time may designate in writing in compliance with the terms of this Section 12.13. Each notice will be deemed given when so delivered personally, or sent

by electronic or facsimile transmission, or, if sent by express delivery or courier service, one (1) Business Day after being sent, or if mailed, five (5) Business Days after the date of deposit in the mail. A notice of change of address or facsimile number will be effective only when given in accordance with this Section 12.13.

(i) To Purchaser at:

Dechra Limited
24 Cheshire Avenue
Cheshire Business Park
Lostock Gralam
Northwich
CW9 7UA
UK
Email: Nim.Cassidy@dechra.com
Attention: Nim Cassidy, Head of Legal

with a copy (which shall not constitute effective notice) to:

Dechra Limited
24 Cheshire Avenue
Cheshire Business Park
Lostock Gralam
Northwich
CW9 7UA
UK
Email: Paul.Sandland@dechra.com
Attention: Paul Sandland, Chief Financial Officer

and a copy (which shall not constitute effective notice) to:

Venable LLP
600 Massachusetts Avenue, NW
Washington, DC 20001
Email: kchermann@venable.com
Attention: Karen C. Hermann

(ii) To Seller at:

Kindred Biosciences, Inc.
1555 Bayshore Highway, Suite 200
Burlingame, CA 94010
Attention: Chief Executive Officer
E-mail: richard.chin@kindredbio.com

With a copy to:

Wilson Sonsini Goodrich & Rosati
Professional Corporation
650 Page Mill Road
Palo Alto, California 94304
Attention: Elton Satusky
Fax: (650) 493-6811
Phone: (650) 493-9300
E-mail: esatusky@wsgr.com

4.14 Rights of Parties. Nothing in this Agreement, whether express or implied, is intended to confer any rights or remedies under or by reason of this Agreement on any Persons other than the Parties and their respective successors and permitted assigns, nor is anything in this Agreement intended to relieve or discharge the obligation or liability of any Third Party to any Party.

4.15 Counterparts. This Agreement and any signed agreement or instrument entered into in connection with this Agreement, and any amendments hereto or thereto, may be executed in two or more counterparts and by the different Parties on separate counterparts, each of which when so executed and delivered will be an original, but all of which together will constitute one and the same instrument. Any such counterpart, to the extent delivered by means of a fax machine or by .pdf, .tif, .gif, .jpeg or similar attachment to electronic mail (any such delivery, an "Electronic Delivery") will be treated in all manner and respects as an original executed counterpart and will be considered to have the same binding legal effect as if it were the original signed version thereof delivered in person. No Party will raise the use of Electronic Delivery to deliver a signature or the fact that any signature or agreement or instrument was transmitted or communicated through the use of Electronic Delivery as a defense to the formation of a contract, and each Party forever waives any such defense, except to the extent that such defense relates to lack of authenticity.

(The remainder of this page is intentionally left blank. The signature page follows.)

IN WITNESS WHEREOF, each of the Parties has caused this Agreement to be executed on its behalf by its respective duly authorized officer as of the Execution Date.

DECHRA LIMITED

By: /s/ Ian Page
Ian Page
Chief Executive Officer

KINDRED BIOSCIENCES, INC.

By: /s/ Richard Chin
Richard Chin, M.D.,
Chief Executive Officer

FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT

THIS **FIRST AMENDMENT TO LOAN AND SECURITY AGREEMENT** (this "**Amendment**"), dated as of March 16, 2020 (the "**Amendment Effective Date**"), is made among Kindred Biosciences, Inc., a Delaware corporation ("**Parent**"), KindredBio Equine, Inc., a Delaware corporation ("**Equine**") and Centaur Biopharmaceutical Services, Inc., a Delaware corporation ("**Centaur**"), each with offices located at 1555 Bayshore Highway, Suite 200, Burlingame, CA 94010 (Parent, Equine and Centaur, individually and collectively, jointly and severally, "**Borrower**"), Solar Capital Ltd., a Maryland corporation ("**Solar**"), in its capacity as collateral agent (together with its successors and assigns in such capacity, "**Collateral Agent**") and the Lenders listed on the signature pages hereto (as defined below) or otherwise a party hereto from time to time including Solar in its capacity as a Lender (each a "**Lender**" and collectively, the "**Lenders**").

Borrower, the Lenders and Collateral Agent are parties to a Loan and Security Agreement dated as of September 30, 2019 (as amended, restated, supplemented or modified from time to time, the "**Loan and Security Agreement**").

Borrower has entered into that certain Asset Purchase Agreement, dated as March 16, 2020, by and between Dechra Limited, a private limited company organized under the laws of England and Wales, as purchaser and Parent, as seller, whereby: (a) Parent shall Transfer certain assets as set forth therein and (b) Parent shall receive certain consideration as set forth therein.

Borrower has requested that the Lenders agree to certain amendments to the Loan and Security Agreement. The Lenders have agreed to such request, subject to the terms and conditions hereof.

Accordingly, the parties hereto agree as follows:

SECTION 1 Definitions; Interpretation.

(a) **Terms Defined in Loan and Security Agreement**. All capitalized terms used in this Amendment (including in the recitals hereof) and not otherwise defined herein shall have the meanings assigned to them in the Loan and Security Agreement.

(b) **Interpretation**. The rules of interpretation set forth in Section 1.1 of the Loan and Security Agreement shall be applicable to this Amendment and are incorporated herein by this reference.

SECTION 2 Amendments to the Loan and Security Agreement.

(a) The Loan and Security Agreement shall be amended as follows effective as of the Amendment Effective Date:

(i) New Definitions. The following definitions are added to Section 1.3 in their proper alphabetical order:

"**Dechra Asset Purchase Agreement**" means that certain Asset Purchase Agreement dated as March 16, 2020, by and between Dechra Limited, a private limited company organized under the laws of England and Wales ("Dechra"), as purchaser and Parent, as seller.

"**Dechra Transaction**" means the acquisition by Dechra of the Mirataz Assets pursuant to the Dechra Asset Purchase Agreement in exchange for certain consideration not less than the Purchase Price and Royalty Payments (each as defined in the Dechra Purchase Agreement).

"**First Amendment**" means that certain First Amendment to Loan and Security Agreement, dated as of the First Amendment Effective Date, by and among Borrower, Collateral Agent and Lender.

"**First Amendment Effective Date**" means March 16, 2020.

"**Mirataz Assets**" means Mirataz® (mirtazapine transdermal ointment) or Accusorb™ including global rights, certain related intellectual property, inventory, licenses and commercial contracts as set forth in the Dechra Asset Purchase Agreement (as in effect on the First Amendment Effective Date).

(ii) Amended and Restated Definitions. The following definitions are hereby amended and restated as follows:

"**Minimum Cash Amount**" is (a) at any time prior to the initial Funding Date of any Term B Loan, Ten Million Dollars ($10,000,000), (b) at all times on and after the initial Funding Date of any Term B Loan and prior to the initial Funding Date of any Term C Loan, Fifteen Million Dollars ($15,000,000) and (c) at all times on and after the initial Funding Date of any Term C Loan, Twenty Million Dollars ($20,000,000).

"**Net Product Revenue**" means, with respect to Borrower and its Subsidiaries that are Guarantors or co-Borrowers, revenue (determined under GAAP), actually received by Borrower and its Subsidiaries that are Guarantors or co-Borrowers (i.e., net of any deductions, commissions or other fees) with respect to products of Borrower and its Subsidiaries that are Guarantors or co-Borrowers that are actually sold to non-Affiliate third parties (and excluding, for the avoidance of doubt, any payments resulting from collaborations or similar transactions between third parties and Borrower or its Subsidiaries). Notwithstanding anything to the contrary, Net Product Revenue shall not include any revenue recognized in connection with the Dechra Asset Purchase Agreement (including, without limitation, any Royalty Payments (as defined in the Dechra Asset Purchase Agreement).

(iii) Section 7.1. Section 7.1 is hereby amended and restated as follows:

7.1 Dispositions

Convey, sell, lease, transfer, assign, dispose of, license (collectively, "**Transfer**"), or permit any of its Subsidiaries to Transfer, all or any part of its business or property, except for Transfers (a) of Inventory in the ordinary course of business; (b) of worn-out or obsolete Equipment; (c) in connection with Permitted Liens, Permitted Investments and Permitted Licenses; (d) cash or Cash Equivalents pursuant to transactions not prohibited by this Agreement; (e) of Parent's capital stock to employees, directors and consultants and other issuances of Parent's capital stock (including, without limitation, in private placements to investors and in public offerings and pursuant to Parent's stockholder rights agreement and including warrants to purchase such capital stock) that are not prohibited pursuant to clause (c)(ii) of Section 7.2 or any other provision of any Loan Document or (f) of the Mirataz Assets pursuant to the Dechra Asset Purchase Agreement.

(iv) Section 7.13. Section 7.13 is hereby amended and restated as follows:

7.13 Financial Covenants

(a) **Minimum Liquidity**. Permit, at any time, Qualified Cash to be less than the sum of the applicable Minimum Cash Amount *plus* the Qualified Cash A/P Amount.

(b) **Minimum Cash Raise Requirement**. Fail to receive unrestricted (including not subject to any clawback, redemption, escrow or similar contractual restriction) net cash proceeds of at least Ten Million Dollars ($10,000,000) after the First Amendment Effective Date and prior to December 31, 2021, in each case (i) from the issuance and sale by Borrower of its preferred or common stock or convertible Subordinated Debt, to investors and on terms and conditions satisfactory to Collateral Agent and (ii) excluding, for the avoidance of doubt any proceeds received pursuant to the Dechra Asset Purchase Agreement.

(v) **Section 7.14**. Section 7.14 is hereby amended and restated as follows:

7.14 Material Agreements

Without the consent of Collateral Agent, (a) enter into a Material Agreement (b) materially amend a Material Agreement; provided, however, that Collateral Agent's consent shall not be required for the entry into, or the amendment of, any agreement that (i) is a

Permitted License, (ii) evidences Permitted Indebtedness or a Permitted Investment, (iii) is a purchase order, sales order or pharmaceutical manufacturing or supply agreement entered into in the ordinary course of Borrower's business, (iv) is an employment agreement, consulting agreement or director service agreement, (v) is an employee benefit plan (as defined in Securities and Exchange Commission Rule 405), including, without limitation an equity incentive plan and an option, restricted stock or other equity grant agreement, (vi) relates to Borrower's stockholder rights agreement, (vii) is an underwriting agreement, placement agency agreement, securities purchase agreement or similar agreement relating to an issuance of Parent's capital stock (including, if applicable, warrants to purchase such capital stock) in a transaction that is not prohibited by Section 7.2(c)(ii), or (vii) evidences a transaction that is permitted pursuant to Section 7.3 or (c) amend the Dechra Asset Purchase Agreement.

(vi) Compliance Certificate. Exhibit E of the Loan and Security Agreement, the Compliance Certificate, is hereby amended and restated in its entirety with Annex A hereto.

(b) **References Within Loan and Security Agreement**. Each reference in the Loan and Security Agreement to "this Agreement" and the words "hereof," "herein," "hereunder," or words of like import, shall mean and be a reference to the Loan and Security Agreement as amended by this Amendment.

SECTION 3 Conditions of Effectiveness. The effectiveness of Section 2 of this Amendment shall be subject to the satisfaction of each of the following conditions precedent:

(a) **Fees and Expenses**. Borrower shall have paid (i) all invoiced costs and expenses then due in accordance with Section 5(e), and (ii) all other fees, costs and expenses, if any, due and payable as of the Amendment Effective Date under the Loan and Security Agreement.

(b) **This Amendment**. Collateral Agent shall have received this Amendment, executed by Collateral Agent, the Lenders and Borrower.

(c) **Dechra Purchase Agreement**. Collateral Agent shall have received a fully-executed copy of the Dechra Purchase Agreement, in form and substance satisfactory to Collateral Agent.

(d) **Representations and Warranties; No Default**. On the Amendment Effective Date, after giving effect to the amendment of the Loan and Security Agreement contemplated hereby:

(i) The representations and warranties contained in Section 4 shall be true and correct on and as of the Amendment Effective Date as though made on and as of such date; and

(ii) There exist no Events of Default or events that with the passage of time would result in an Event of Default.

SECTION 4 Representations and Warranties. To induce the Lenders to enter into this Amendment, Borrower hereby confirms, as of the date hereof, (a) that the representations and warranties made by it in Section 5 of the Loan and Security Agreement and in the other Loan Documents are true and correct in all material respects; *provided*, *however*, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof, *provided*, *further*, that to the extent such representations and warranties by their terms expressly relate only to a prior date such representations and warranties shall be true and correct in all material respects as of such prior date; (b) that there has not been and there does not exist a Material Adverse Change; (c) that the information included in the Perfection Certificate delivered to Collateral Agent on the Effective Date remains true and correct; (d) Lender has and shall continue to have valid, enforceable and perfected first-priority liens, subject only to Permitted Liens, on and security interests in the Collateral and all other collateral heretofore granted by Borrower to Lender, pursuant to the Loan Documents or otherwise granted to or held by Lender; (e) the agreements and obligations of Borrower contained in the Loan Documents and in this Amendment constitute the legal, valid and binding obligations of Borrower, enforceable against Borrower in accordance with their respective terms, except as the enforceability thereof may be limited by bankruptcy, insolvency or other similar laws of general application affecting the enforcement of creditors' rights or by the application of general principles of equity; and (f) the execution, delivery and performance of this Amendment by Borrower will not violate any law, rule, regulation, order, contractual obligation or organizational document of Borrower and will not result in, or require, the creation or imposition of any lien, claim or encumbrance of any kind on any of

its properties or revenues. For the purposes of this Section 4, each reference in Section 5 of the Loan and Security Agreement to "this Agreement," and the words "hereof," "herein," "hereunder," or words of like import in such Section, shall mean and be a reference to the Loan and Security Agreement as amended by this Amendment.

SECTION 5 Miscellaneous.

(a) **Loan Documents Otherwise Not Affected; Reaffirmation; No Novation**.

(i) Except as expressly amended pursuant hereto or referenced herein, the Loan and Security Agreement and the other Loan Documents shall remain unchanged and in full force and effect and are hereby ratified and confirmed in all respects. The Lenders' and Collateral Agent's execution and delivery of, or acceptance of, this Amendment shall not be deemed to create a course of dealing or otherwise create any express or implied duty by any of them to provide any other or further amendments, consents or waivers in the future.

(ii) Borrower hereby expressly (1) reaffirms, ratifies and confirms its Obligations under the Loan Agreement and the other Loan Documents, (2) reaffirms, ratifies and confirms the grant of security under Section [4.1] of the Loan and Security Agreement, (3) reaffirms that such grant of security in the Collateral secures all Obligations under the Loan and Security Agreement[, including without limitation any Term Loans funded on or after the Amendment Effective Date, as of the date hereof], and with effect from (and including) the Amendment Effective Date, such grant of security in the Collateral: (x) remains in full force and effect notwithstanding the amendments expressly referenced herein; and (y) secures all Obligations under the Loan and Security Agreement, as amended by this Amendment, and the other Loan Documents, (4) agrees that this Amendment shall be a "Loan Document" under the Loan Agreement and (5) agrees that the Loan Agreement and each other Loan Document shall remain in full force and effect following any action contemplated in connection herewith.

(iii) This Amendment is not a novation and the terms and conditions of this Amendment shall be in addition to and supplemental to all terms and conditions set forth in the Loan Documents. Nothing in this Amendment is intended, or shall be construed, to constitute an accord and satisfaction of Borrower's Obligations under or in connection with the Loan and Security Agreement and any other Loan Document or to modify, affect or impair the perfection or continuity of Agent's security interest in, (on behalf of itself and the Lenders) security titles to or other liens on any Collateral for the Obligations.

(b) **Conditions**. For purposes of determining compliance with the conditions specified in Section 3, each Lender that has signed this Amendment shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender unless Collateral Agent shall have received notice from such Lender prior to the Amendment Effective Date specifying its objection thereto.

(c) **Release.** In consideration of the agreements of Collateral Agent and each Lender contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, Borrower, on behalf of itself and its successors, assigns, and other legal representatives, hereby fully, absolutely, unconditionally and irrevocably releases, remises and forever discharges Collateral Agent and each Lender, and its successors and assigns, and its present and former shareholders, affiliates, subsidiaries, divisions, predecessors, directors, officers, attorneys, employees, agents and other representatives (Agent, Lenders and all such other persons being hereinafter referred to collectively as the "**Releasees**" and individually as a "**Releasee**"), of and from all demands, actions, causes of action, suits, covenants, contracts, controversies, agreements, promises, sums of money, accounts, bills, reckonings, damages and any and all other claims, counterclaims, defenses, rights of set-off, demands and liabilities whatsoever of every name and nature, known or unknown, suspected or unsuspected, both at law and in equity, which Borrower, or any of its successors, assigns, or other legal representatives may now or hereafter own, hold, have or claim to have against the Releasees or any of them for, upon, or by reason of any circumstance, action, cause or thing whatsoever which arises at any time on or prior to the day and date of this Amendment, including, without limitation, for or on account of, or in relation to, or in any way in connection with the Loan Agreement, or any of the other Loan Documents or transactions thereunder or related thereto. Borrower understands, acknowledges and agrees that the release set forth above may be pleaded as a full and complete defense and may be used as a basis for an injunction against any action, suit or other proceeding which may be instituted, prosecuted or attempted in breach of the provisions of such release. Borrower agrees that no fact, event, circumstance, evidence or transaction which could now be asserted or which may hereafter be discovered shall affect in any manner the final, absolute and unconditional nature of the release set forth above.

(d) **No Reliance**. Borrower hereby acknowledges and confirms to Collateral Agent and the Lenders that Borrower is executing this Amendment on the basis of its own investigation and for its own reasons without reliance upon any agreement, representation, understanding or communication by or on behalf of any other Person.

(e) **Costs and Expenses**. Borrower agrees to pay to Collateral Agent (i) on or before March 18, 2020 an amendment fee of One Hundred Thousand Dollars ($100,000), which shall be deemed fully earned and non-refundable on the Amendment Effective Date and (ii) within ten (10) days of its receipt of an invoice (or on the Amendment Effective Date to the extent invoiced on or prior to the Amendment Effective Date), the out-of-pocket costs and expenses of Collateral Agent and the Lenders party hereto, and the fees and disbursements of counsel to Collateral Agent and the Lenders party hereto (including allocated costs of internal counsel), in connection with the negotiation, preparation, execution and delivery of this Amendment and any other documents to be delivered in connection herewith on the Amendment Effective Date or after such date.

(f) **Binding Effect**. This Amendment binds and is for the benefit of the successors and permitted assigns of each party.

(g) **Governing Law**. **THIS AMENDMENT AND THE RIGHTS AND OBLIGATIONS OF THE PARTIES HEREUNDER SHALL IN ALL RESPECTS BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH, THE INTERNAL LAWS OF THE STATE OF NEW YORK (WITHOUT REGARD TO THE CONFLICT OF LAWS PRINCIPLES THAT WOULD RESULT IN THE APPLICATION OF ANY LAWS OTHER THAN THE LAWS OF THE STATE OF [NEW YORK]), INCLUDING ALL MATTERS OF CONSTRUCTION, VALIDITY AND PERFORMANCE, REGARDLESS OF THE LOCATION OF THE COLLATERAL.**

(h) **Complete Agreement; Amendments**. This Amendment and the Loan Documents represent the entire agreement about this subject matter and supersede prior negotiations or agreements with respect to such subject matter. All prior agreements, understandings, representations, warranties, and negotiations between the parties about the subject matter of this Amendment and the Loan Documents merge into this Amendment and the Loan Documents.

(i) **Severability of Provisions.** Each provision of this Amendment is severable from every other provision in determining the enforceability of any provision.

(j) **Counterparts**. This Amendment may be executed in any number of counterparts and by different parties on separate counterparts, each of which, when executed and delivered, is an original, and all taken together, constitute one Amendment. Delivery of an executed counterpart of a signature page of this Amendment by facsimile, portable document format (.pdf) or other electronic transmission will be as effective as delivery of a manually executed counterpart hereof.

(k) **Loan Documents**. This Amendment and the documents related thereto shall constitute Loan Documents.

(l) **Release of Collateral Agent's Lien to the Mirataz Assets**. Following effectiveness of this Amendment and concurrently with the consummation of the Dechra Transaction, Collateral Agent (i) is hereby authorized by the Lenders to release the Collateral Agent's Liens in and to the Mirataz Assets and to take such actions and execute such documents and instruments as are reasonably requested by Borrower (at Borrower's sole expense) to effect such release, and (b) hereby releases all of Collateral Agent's Liens in and to the Mirataz Assets, and shall take such actions and execute such documents and instruments as reasonably requested by Borrower (at Borrower's sole expense), in connection with such release including filing an amendment to Collateral Agent's UCC filings. This release is limited solely to the Mirataz Assets and all other liens, security interests, pledges, charges, encumbrances, mortgages and hypothecations by Borrower (other than with respect to the Mirataz Assets) in favor of Lender remain unmodified by this release and do and shall continue in full force and effect. Without limitation of the foregoing, the release of the Mirataz Assets as "Collateral" pursuant hereto is limited to the Mirataz Assets and does not encompass any other Collateral under the Loan and Security Agreement or any of the other Loan Documents.

[Balance of Page Intentionally Left Blank; Signature Pages Follow]

IN WITNESS WHEREOF, the parties hereto have duly executed this Amendment, as of the date first above written.

BORROWER:

KINDRED BIOSCIENCES, INC.

By: /s/ Richard Chin
Name: Richard Chin
Title: Chief Executive Officer

KINDREDBIO EQUINE, INC.

By: /s/ Richard Chin
Name: Richard Chin
Title: Chief Executive Officer

CENTAUR BIOPHARMACEUTICAL SERVICES, INC.

By: /s/ Richard Chin
Name: Richard Chin
Title: Chief Executive Officer

COLLATERAL AGENT AND LENDER:

SOLAR CAPITAL LTD.,
as Collateral Agent and a Lender

By: /s/ Anthony Storino
Name: Anthony Storino
Title: Authorized Signatory

LENDERS:

SUNS SPV LLC

By: /s/ Anthony Storino
Name: Anthony Storino
Title: Authorized Signatory

SCP PRIVATE CREDIT INCOME FUND SPV LLC

By: /s/ Anthony Storino
Name: Anthony Storino
Title: Authorized Signatory

SCP PRIVATE CREDIT INCOME BDC SPV LLC

By: /s/ Anthony Storino
Name: Anthony Storino
Title: Authorized Signatory

SCP PRIVATE CORPORATE LENDING FUND L.P.

By: /s/ Anthony Storino
Name: Anthony Storino
Title: Authorized Signatory

SCP SF DEBT FUND L.P.

By: /s/ Anthony Storino
Name: Anthony Storino
Title: Authorized Signatory

ANNEX A

EXHIBIT E

Compliance Certificate

TO: SOLAR CAPITAL LTD., as Collateral Agent and Lender

FROM: Kindred Biosciences, Inc., on behalf of itself and each other Borrower

The undersigned authorized officer ("**Officer**") of Kindred Biosciences, Inc. ("**Parent**"), hereby certifies that in accordance with the terms and conditions of the Loan and Security Agreement dated as of September 30, 2019, by and among Parent, each other Borrower party thereto, Collateral Agent, and the Lenders from time to time party thereto (the "**Loan Agreement**;" capitalized terms used but not otherwise defined herein shall have the meanings given them in the Loan Agreement),

(a) Borrower is in complete compliance for the period ending _____ with all required covenants except as noted below;

(b) There are no defaults or Events of Default, except as noted below;

(c) Except as noted below, all representations and warranties of Borrower stated in the Loan Documents are true and correct in all material respects on this date and for the period described in (a), above; provided, however, that such materiality qualifier shall not be applicable to any representations and warranties that already are qualified or modified by materiality in the text thereof; and provided, further that those representations and warranties expressly referring to a specific date shall be true, accurate and complete in all material respects as of such date.

(d) Borrower, and each of Borrower's Subsidiaries, has timely filed all required tax returns and reports; Borrower, and each of Borrower's Subsidiaries, has timely paid all foreign, federal, state, and local Taxes, assessments, deposits and contributions owed by Borrower, or Subsidiary, except as otherwise permitted pursuant to the terms of Section 5.8 of the Loan Agreement;

(e) No Liens have been levied or claims made against Borrower or any of its Subsidiaries relating to unpaid employee payroll or benefits of which Borrower has not previously provided written notification to Collateral Agent and the Lenders.

Attached are the required documents, if any, supporting our certification(s). The Officer, on behalf of Borrower, further certifies that the attached financial statements are prepared in accordance with Generally Accepted Accounting Principles (GAAP) and are consistently applied from one period to the next except as explained in an accompanying letter or footnotes and except, in the case of unaudited financial statements, for the absence of footnotes and subject to year-end audit adjustments as to the interim financial statements.

Please indicate compliance status since the last Compliance Certificate by circling Yes, No, or N/A under "Complies" column.

	Reporting Covenant	Requirement	Actual	Complies		
1)	Monthly financial statements	Monthly within 30 days		Yes	No	N/A
2)	Annual (CPA Audited) statements	Within 90 days after FYE		Yes	No	N/A
3)	Annual Financial Projections/Budget (prepared on a monthly basis)	Annually (within earlier 10 days of approval or February 28), and when revised		Yes	No	N/A
4)	A/R & A/P agings	If applicable		Yes	No	N/A
5)	8-K, 10-K and 10-Q Filings	Within 5 days of filing		Yes	No	N/A
6)	Compliance Certificate	Monthly within 30 days		Yes	No	N/A
7)	IP Report	When required		Yes	No	N/A
8)	Total amount of Borrower's cash and cash equivalents at the last day of the measurement period		$_____	Yes	No	N/A
9)	Total amount of Borrower's Subsidiaries' cash and cash equivalents at the last day of the measurement period		$_____	Yes	No	N/A

Deposit and Securities Accounts
(Please list all accounts; attach separate sheet if additional space needed)

	Institution Name	Account Number	New Account?		Account Control Agreement in place?	
1)			Yes	No	Yes	No
2)			Yes	No	Yes	No
3)			Yes	No	Yes	No
4)			Yes	No	Yes	No

Financial Covenants

Minimum Liquidity

1.	Minimum Cash Amount • at any time prior to the initial Funding Date of any Term B Loan, $10,000,000 • at all times on and after the initial Funding Date of any Term B Loan and prior to the initial Funding Date of any Term C Loan, $15,000,000 • at all times on and after the initial Funding Date of any Term C Loan $20,000,000	$_____
2.	Aggregate amount of Borrower's and its Subsidiaries' accounts payable that have not been paid within ninety (90) days from the invoice date of the relevant account payable:	$_____
3.	Line 1 *plus* Line 2:	$_____
4.	Qualified Cash:	$_____
8.	Is Line 4 greater than or equal to Line 3?	Yes (in compliance) No (not in compliance)

Other Matters

1)	Have there been any changes in Key Persons since the last Compliance Certificate?	Yes	No
2)	Have there been any transfers/sales/disposals/retirement of Collateral or IP prohibited by the Loan Agreement?	Yes	No
3)	Have there been any new or pending claims or causes of action against Borrower that involve more than Two Hundred Fifty Thousand Dollars ($250,000.00)?	Yes	No
4)	Have there been any amendments of or other changes to the capitalization table of Borrower and to the Operating Documents of Borrower or any of its Subsidiaries? If yes, provide copies of any such amendments or changes with this Compliance Certificate.	Yes	No
5)	Has Borrower or any Subsidiary entered into or amended any Material Agreement? If yes, please explain and provide a copy of the Material Agreement(s) and/or amendment(s).	Yes	No
6)	Has Borrower provided the Collateral Agent with all notices required to be delivered under Sections 6.2(a) and 6.2(b) of the Loan Agreement?	Yes	No

Exceptions

Please explain any exceptions with respect to the certification above: (If no exceptions exist, state "No exceptions." Attach separate sheet if additional space needed.)

Kindred Biosciences, Inc., on behalf of itself and each other Borrower

By: _____
Name: _____
Title: _____

Date:

COLLATERAL AGENT USE ONLY

Received by:_____ Date: ___

Verified by: _____ Date: ___

Compliance Status: Yes No

Kindred Biosciences Announces Mirataz® (mirtazapine transdermal ointment) Transaction and Reports Fourth Quarter and Full Year 2019 Financial Results

San Francisco, California (March 16, 2020) - Kindred Biosciences, Inc. (NASDAQ: KIN), a biopharmaceutical company focused on saving and improving the lives of pets, today announced that it has entered into a transaction for the sale of Mirataz® to Dechra Pharmaceuticals PLC (LSE: DPH) for an upfront payment of $43 million and royalties on worldwide sales.

In addition, the company announced that it will substantially reduce its commercial footprint. This, along with partnership deals, is expected to significantly reduce the amount of additional dilutive capital the company will require.

“We believe Dechra is an ideal company to deliver results for Mirataz globally, given their expansive commercial footprint, proven success selling specialist products, and synergies between Mirataz and their existing product portfolio targeting diseases linked to feline weight loss,” said KindredBio’s Chief Executive Officer, Richard Chin, M.D.

“Given the amount that partners are willing to pay for our assets, and the richness of our pipeline, we have recognized that we can likely achieve better returns for our shareholders while reducing dilutive financing by relying more on a partnership-focused business model. This model has been very successful in the human pharmaceutical industry, and we expect the same for the veterinary industry.”

In addition, the company will further prioritize biologics programs for dogs and cats, and discontinue development of canine and feline small molecule programs.

“We have had seven positive pilot programs in a row, which is a higher success rate than we had expected. Furthermore, we have additional new programs based on our recently announced half-life extension technology. We clearly have more attractive opportunities than we can pursue. While our small molecule programs are very promising, we have decided to devote our resources to the part of the business where we can create the most value and where we have the clearest competitive advantage. We believe monoclonal antibodies are the future of veterinary medicine, and given significant market opportunities for our biologics programs, provide the greatest potential for value creation.

“We have had a very successful 2019, with two product approvals and multiple positive pilot studies. For 2020 and beyond, we look forward to executing on the exciting strategy we have laid out today,” Dr. Chin concluded.

Proceeds from the Mirataz transaction, alongside the reduction in the company’s workforce and operations, will extend cash runway through 2022, while maintaining a focused research engine dedicated to the development of KindredBio’s biologics pipeline. KindredBio also remains in late-stage discussions with a number of parties regarding a commercial partnership for its interleukin-31 monoclonal antibody for canine atopic dermatitis.

In addition, the company reported financial results for the fourth quarter and full year ended December 31, 2019, and provided updates on its programs.

The major components of the strategic realignment are outlined below:

- KindredBio becomes a biologics-focused company pursuing canine and feline markets, while discontinuing small molecule development for these species. The following publicly disclosed biologics programs will continue to advance, namely the company’s interleukin (IL)-31, IL-4/13 SINK, IL-4R and IL-17 programs for canine atopic dermatitis, KIND-030 for parvovirus in dogs, KIND-510a for the control of non-regenerative anemia in cats, and anti-TNF antibody for inflammatory bowel disease in dogs, alongside other undisclosed biologics candidates. In addition, KindredBio has multiple platform technologies including half-life extension and Fc modification technologies for manufacturing and other applications. All programs are advancing well, consistent with previously disclosed timelines.
- The company signed an agreement to sell Mirataz to Dechra for an upfront payment of $43 million, alongside an ongoing royalty on global net sales. As is customary, 10% of the upfront payment shall be held

in escrow for up to 18 months. The sale comprises worldwide marketing rights, intellectual property rights, marketing authorizations and associated regulatory documentation, third party supply contracts related to raw material and manufacture of the finished product, and certain product inventory. Completion is expected before the end of June 2020, following satisfactory completion of certain deliverables. Dechra, which is based in the United Kingdom, plans to launch Mirataz in the UK and the European Union, and intends to conduct the necessary regulatory activities to achieve approvals in other key international markets. With commercial sales and marketing teams in 25 countries, and distributor relationships in an additional 68 countries, Dechra is strongly positioned to market Mirataz in the United States, Europe, and globally. KindredBio recorded net product revenues of $4.1 million for Mirataz in 2019.

- KindredBio plans to rely more on a partnership-focused commercialization strategy similar to the traditional human biotech commercialization strategy whereby pipeline assets are partnered with larger commercial partners that can maximize product opportunity in return for upfront payment, contingent milestones, and royalties on future sales. Accordingly, the companion animal commercial infrastructure will be substantially reduced.
- In order to fully realize the value of the equine franchise, the equine assets will be segregated into the KindredBio Equine subsidiary. A strategic review process will commence for this subsidiary, including a potential spin-out or divestiture of assets. The KindredBio Equine asset portfolio will include Zimeta™ (dipyrone injection) for the control of pyrexia in horses, KIND-012 (dipyrone oral gel), KIND-014 for equine gastric ulcers, KIND-015 for metabolic syndrome, and anti-TNF antibody for sick newborn foals, alongside undisclosed equine product candidates. Equine is an attractive market, with high willingness to spend and low commercialization costs.
- In connection with the company’s strategic shift, KindredBio is eliminating approximately 53 positions, representing about one-third of its current workforce. The eliminated positions primarily relate to the companion animal sales force and research and development for small molecule programs. Restructuring expenses and retirement costs related to severance and health care benefits are expected to be approximately $1.7 million, exclusive of stock compensation. The workforce reduction is anticipated to lower compensation and benefits cost by approximately $7.1 million annually. In the coming year, KindredBio intends to hire additional staff to enhance its capabilities in biologics manufacturing, but still expects a net reduction in headcount. Operating expenses, projected to range between $58 million and $61 million in 2020, include the one-time restructuring charge of $1.7 million and first quarter expenditures that reflect a complete organizational structure. Excluding first quarter expenditures, the annualized run rate for 2020 is expected to be between $54 million and $56 million. KindredBio believes its existing cash, cash equivalents and investments, the net reduction in the company’s workforce and proceeds from the Mirataz sale will be sufficient to fund the current operating plan through 2022.

Development and Corporate Updates

Biologics Candidates

- In July 2019, KindredBio reported positive topline results from its pilot field effectiveness study of KIND-016, a fully caninized, high-affinity monoclonal antibody targeting interleukin-31, for the treatment of atopic dermatitis in dogs. The scale up process is proceeding as planned, and the pivotal effectiveness study is expected to start in the second half of 2020.

- The in-life portion of the pilot effectiveness study for the company’s canine IL-4/13 SINK molecule is complete, and the company is completing development of its PK assays and expects topline results from the study in the coming weeks. The IL-4 and IL-13 pathways are key drivers of the inflammation that underlies atopic dermatitis and other allergic diseases. The IL-4/13 SINK molecule binds to both IL-4 and IL-13 circulating in the blood and inhibits their interactions with their respective receptors, thereby modifying the clinical signs associated with atopic dermatitis.

- On December 16, 2019, KindredBio unveiled positive results from its randomized, placebo-controlled laboratory pilot study of KIND-032, a fully caninized monoclonal antibody targeting IL-4R, for the treatment of atopic dermatitis in dogs. Although the study was a single-dose study designed primarily to

assess safety and pharmacokinetics, evidence of positive efficacy and dose response was observed at Week 1, as measured by CADESI-04. A second pilot study to further assess efficacy and dosing is planned for 2020. The IL-4 pathway is a key driver of the inflammation that underlies atopic dermatitis. KIND-032 binds to the IL-4 receptor on the surface of immune cells.

- KindredBio is pursuing a multi-pronged approach toward atopic dermatitis. Atopic dermatitis is an immune-mediated inflammatory skin condition in dogs. It is the leading reason owners take their dog to the veterinarian, and the current market size is more than $700 million annually and growing.

- In August 2019, KindredBio announced positive results from its pilot efficacy study of KIND-030, a monoclonal antibody targeting canine parvovirus (CPV). Pivotal studies for this molecule are expected to be completed in 2020. Approval is anticipated by late 2020 or early 2021.
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  CPV is the most significant cause of viral enteritis in dogs, especially puppies, with over 90% mortality rate if untreated. There are approximately 250,000 parvo cases in the U.S. each year, excluding emergency rooms, shelters, or undiagnosed cases. Currently, there are no approved or unapproved treatments for CPV, and owners spend up to thousands of dollars for supportive care for infected dogs.

- The pivotal efficacy study for KindredBio’s feline recombinant erythropoietin was initiated in the fourth quarter and is ongoing. The product candidate is being developed for the management of non-regenerative anemia in cats. It has been engineered by the company to have a prolonged half-life compared to endogenous erythropoietin, a protein that regulates and stimulates production of red blood cells.

  Anemia is a common condition that is estimated to afflict millions of older cats. It is often associated with chronic kidney disease, because kidneys produce erythropoietin and chronic kidney disease leads to decreased levels of endogenous erythropoietin. Chronic kidney disease affects approximately half of older cats, making it a leading cause of feline mortality. Human erythropoietins, which are multi-billion dollar products in the human market, have been shown to be immunogenic in many cats.

- The pilot field effectiveness study for KindredBio's anti-TNF antibody for canine inflammatory bowel disease (IBD) is underway, with completion expected in the first half of 2020.

  The majority of canine IBD cases involve chronic states of diarrhea, vomiting, gastroenteritis, inappetence, and other symptoms, certain of which are cited as among the most frequent disorders impacting dogs. For certain dog breeds, the prevalence of diarrhea exceeds 5%. Existing treatments can have significant drawbacks, including limited diets and excessive antibiotic use, which can lead to owner frustration, lapses in treatment adherence, or poor quality of life for the affected animal.

Mirataz

- KindredBio recorded Mirataz net product revenues of $1.3 million in the fourth quarter and $4.1 million in the full year. On December 12, 2019, KindredBio announced European Commission approval of Mirataz for bodyweight gain in cats experiencing poor appetite and weight loss resulting from chronic medical conditions. Europe represents the second largest market for veterinary therapeutics internationally. Royalties on future global sales of Mirataz by Dechra will be recorded by KindredBio as revenue.

KindredBio Equine

Pending the strategic review process, development of certain candidates may be put on hold.

- On November 25, 2019, KindredBio announced that the U.S. Food and Drug Administration approved Zimeta for the control of pyrexia in horses. KindredBio recorded net product revenues of $127,000 in the fourth quarter. The product became commercially available to U.S. veterinarians in December, 2019, resulting in a partial quarter, with initial stocking orders sent to the Company's distribution partners in the

final weeks of the year. An application for Zimeta was made in Canada in November, with anticipated approval in the second quarter of 2020.

Dipyrone injection is the first FDA-approved product for the control of fever in horses. There are eight to nine million horses in the U.S. and currently more than one million are seen by a veterinarian for fever annually. Existing off-label treatments can have serious side effects.

- The pivotal field effectiveness study for dipyrone oral gel, a proprietary oral gel, has been completed with positive results. The target animal safety study is also complete, and dipyrone oral gel was found to be well-tolerated. KindredBio has agreed on a path forward with the FDA and relative bioequivalency work is currently ongoing.

  Once approved, dipyrone oral gel is intended to build upon the success of Zimeta and potentially offer another tool to veterinarians.

- The pivotal field efficacy study for KIND-014 for the treatment of gastric ulcers in horses initiated in December 2019.

Fourth Quarter and Full Year 2019 Financial Results

For the quarter ended December 31, 2019, KindredBio reported a net loss of $15.7 million, or $0.40 per share, compared to a net loss of $15.4 million, or $0.46 per share, for the same period in 2018. For the year ended December 31, 2019, the net loss was $61.4 million, or $1.59 per share, as compared to a net loss of $49.7 million, or $1.60 per share, in 2018.

The company recorded $1.4 million of net product revenues for the fourth quarter of 2019, versus $1.3 million in the year-ago period. Full year 2019 net product revenues were $4.3 million, compared with $2.0 million for the year ended December 31, 2018. Mirataz became commercially available in July 2018, while Zimeta became commercially available in December 2019.

The cost of product sales totaled $0.2 million in the fourth quarter, resulting in a gross margin of 87%, and $0.6 million for the year, resulting in a gross margin of 86%.

Research and development expenses totaled $7.1 million for the fourth quarter ended December 31, 2019 compared to $7.8 million for the same period in 2018. For the full year 2019, research and development expenses were $28.3 million, compared to $26.4 million in 2018. Stock-based compensation expense related to research and development was $1.8 million, versus $1.7 million in 2018. The $1.9 million increase in full year research and development expenses was primarily due to higher headcount and related expenses as the Company advances its biologics programs, higher consulting expenses for quality assurance programs, and increased capital equipment depreciation expense.

Selling, general and administrative expenses totaled $9.6 million for the fourth quarter ended December 31, 2019, compared to $9.2 million for the same period in 2018. For the full year 2019, selling, general and administrative expenses were $37.9 million, compared to $26.5 million for 2018. The $11.4 million increase in full year expenses is the result of being a commercial company, as well as increased expenses incurred by the Elwood, Kansas plant in the lead up to its commissioning. In addition, higher corporate infrastructure costs and stock-based compensation expense also contributed to the increase in expenses. Stock-based compensation expense included in selling, general and administrative was $5.5 million in 2019, versus $4.5 million in 2018.

As of December 31, 2019, KindredBio had $73.5 million in cash, cash equivalents and investments, compared to $73.9 million at December 31, 2018. Net cash used in operating activities in 2019 was approximately $56.3 million. The company also invested approximately $8.4 million in capital expenditures for the build-out of its Elwood, Kansas manufacturing facility, including equipment purchases.

With respect to spending in 2020, the company expects operating expenses of between $58.0 million and $61.0 million, excluding the impact of stock-based compensation expense and the impact of acquisitions, if any. The 2020 operating expense includes a one-time restructuring charge of approximately $1.7 million and first quarter expenditures that reflect a full organizational structure. Excluding first quarter expenditures, the annualized run rate for 2020 is expected to be between $54 million and $56 million. Additionally, KindredBio plans to invest $4.0 million to $6.0 million in capital expenditures on lab and manufacturing equipment for its biologics programs in 2020.

As noted earlier in the press release, KindredBio believes its existing cash, cash equivalents and investments, the net reduction in the company's workforce and proceeds from the Mirataz sale will be sufficient to fund the current operating plan through 2022.

Webcast and Conference Call

KindredBio will host a conference call and webcast today at 4:30 p.m. Eastern time/1:30 p.m. Pacific time. Interested parties may access the call by dialing toll-free (855) 433-0927 from the US, or (484) 756-4262 internationally, and using conference ID 2367136. The call will be webcast live here, with a replay available at that link for 30 days.

Important Safety Information

Mirataz® (mirtazapine transdermal ointment) is for topical use in cats only under veterinary supervision. Do not use in cats with a known hypersensitivity to mirtazapine or any of the excipients or in cats treated with monoamine oxidase inhibitors (MAOIs). Not for human use. Keep out of reach of children. Wear gloves to apply and wash hands after. Avoid contact with treated cat for 2 hours following application. The most common adverse reactions include application site reactions, behavioral abnormalities (vocalization and hyperactivity) and vomiting. Please see the full Prescribing Information.

Zimeta™ (dipyrone injection) should not be used more frequently than every 12 hours. For use in horses only. Do not use in horses with a hypersensitivity to dipyrone, horses intended for human consumption or any food producing animals, including lactating dairy animals. Not for use in humans, avoid contact with skin and keep out of reach of children. Take care to avoid accidental self-injection and use routine precautions when handling and using loaded syringes. Prior to use, horses should undergo a thorough history and physical examination by a veterinarian. Monitor for signs of abnormal bleeding and use caution in horses at risk for hemorrhage. Concurrent use with other NSAIDs, corticosteroids and drugs associated with kidney toxicity, should be avoided. As a class, NSAIDs may be associated with gastrointestinal, kidney, and liver toxicity. The most common adverse reactions observed during clinical trials were elevated glucose conversion enzymes, decreased blood protein, and gastric ulcers. Please see the full Prescribing Information.

About Kindred Biosciences

Kindred Biosciences is a biopharmaceutical company developing innovative biologics focused on saving and improving the lives of pets. Its mission is to bring to pets the same kinds of safe and effective medicines that human family members enjoy. The company's strategy is to identify targets that have already demonstrated safety and efficacy in humans and to develop therapeutics based on these validated targets for dogs and cats. KindredBio has a deep pipeline of novel biologics in development across many therapeutic classes, alongside state-of-the-art biologics manufacturing capabilities and a broad intellectual property portfolio. The company has two approved drugs, namely Mirataz® (mirtazapine transdermal ointment) and Zimeta™ (dipyrone injection).

Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. All statements contained in this press release that do not relate to matters of historical fact should be considered forward-looking statements, including, but not limited to, statements regarding our

expectations about the trials, regulatory approval, manufacturing, distribution and commercialization of our current and future product candidates, and statements regarding our anticipated revenues, expenses, margins, profits and use of cash.

These forward-looking statements are based on our current expectations. These statements are not promises or guarantees, but involve known and unknown risks, uncertainties and other important factors that may cause our actual results to be materially different from any future results expressed or implied by the forward-looking statements. These risks include, but are not limited to, the following: our limited operating history and expectations of losses for the foreseeable future; the absence of significant revenue from our products and our product candidates for the foreseeable future; the likelihood that our revenue will vary from quarter to quarter; our potential inability to obtain any necessary additional financing; our substantial dependence on the success of our products and our lead product candidates which may not be successfully commercialized even if they are approved for marketing; the effect of competition; our potential inability to obtain regulatory approval for our existing or future product candidates; our dependence on third parties to conduct some of our development activities; our dependence upon third-party manufacturers for supplies of our products and our product candidates and the potential inability of these manufacturers to deliver a sufficient amount of supplies on a timely basis, including by reason of the coronavirus disease (COVID-19) currently impacting multiple jurisdictions worldwide; uncertainties regarding the outcomes of trials regarding our product candidates; our potential failure to attract and retain senior management and key scientific personnel; uncertainty about our ability to enter into satisfactory agreements with third-party licensees of our biologic products or to develop a satisfactory sales organization for our equine small molecule products; our significant costs of operating as a public company; potential cyber-attacks on our information technology systems or on our third-party providers' information technology systems, which could disrupt our operations; our potential inability to repay the secured indebtedness that we have incurred from third-party lenders, and the restrictions on our business activities that are contained in our loan agreement with these lenders; the risk that our 2020 strategic realignment plan will result in unanticipated costs or revenue shortfalls; the risk that our sale of Mirataz® to Dechra Pharmaceuticals PLC will not be completed because one or more of the closing conditions described in the sale agreement are not satisfied and uncertainty about the amount of royalties that we will receive if the sale is completed; our potential inability to obtain and maintain patent protection and other intellectual property protection for our products and our product candidates; potential claims by third parties alleging our infringement of their patents and other intellectual property rights; our potential failure to comply with regulatory requirements, which are subject to change on an ongoing basis; the potential volatility of our stock price; and the significant control over our business by our principal stockholders and management.

For a further description of these risks and other risks that we face, please see the risk factors described in our filings with the U.S. Securities and Exchange Commission (the SEC), including the risk factors discussed under the caption "Risk Factors" in our Annual Report on Form 10-K and any subsequent updates that may be contained in our Quarterly Reports on Form 10-Q filed with the SEC. As a result of the risks described above and in our filings with the SEC, actual results may differ materially from those indicated by the forward-looking statements made in this press release. Forward-looking statements contained in this press release speak only as of the date of this press release and we undertake no obligation to update or revise these statements, except as may be required by law.

The results stated in this press release have not been reviewed by the Food and Drug Administration or the United States Department of Agriculture Center for Veterinary Biologics, as applicable.

Contacts

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Kindred Biosciences, Inc.
Consolidated Statements of Operations
(In thousands, except per share amounts)

	Three Months Ended December 31,		Years Ended December 31,	
	2019	2018	2019	2018
	(Unaudited)			
Net product revenues	$ 1,401	$ 1,326	$ 4,256	$ 1,966
Operating costs and expenses:				
Cost of product sales	187	214	587	324
Research and development	7,134	7,756	28,310	26,399
General and administrative	9,578	9,219	37,926	26,499
Total operating costs and expenses	16,899	17,189	66,823	53,222
Loss from operations	(15,498)	(15,863)	(62,567)	(51,256)
Interest and other income, net	(236)	422	1,178	1,566
Net loss	$ (15,734)	$ (15,441)	$ (61,389)	$ (49,690)
Basic and diluted net loss per common share	$ (0.40)	$ (0.46)	$ (1.59)	$ (1.60)
Shares used to calculate basic and diluted net loss per common share	38,999	33,708	38,657	31,001

Selected Consolidated Balance Sheet Data
(In thousands)
(Unaudited)

	December 31,	
	2019	2018
Cash, cash equivalents and investments	$ 73,546	$ 73,932
Total assets	114,024	106,482
Stockholders' equity	81,921	91,207