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

FORM 8-K/A

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

Date of Report (Date of Earliest Event Reported): December 5, 2017

MELINTA THERAPEUTICS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	001-35405	45-4440364
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

300 George Street, Suite 301, New Haven, CT	06511
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (312) 767-0291

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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 ☐

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. ☐

Introductory Note

This Current Report on Form 8-K/A is an amendment to the Current Report on Form 8-K filed by Melinta Therapeutics, Inc. ("Melinta") on November 3, 2017 to report the closing on November 3, 2017 of the merger of Melinta Subsidiary Corp. with and into a subsidiary of Cempra, Inc. in accordance with the terms of that certain Agreement and Plan of Merger and Reorganization, dated as of August 8, 2017, and as amended on each of September 6, 2017 and October 24, 2017, by and among Melinta and the other parties thereto. This amendment is being filed to provide the historical audited and unaudited financial information, and unaudited pro forma financial information, required to be filed under Item 9.01 as listed below.

Item 9.01. Financial Statements and Exhibits.

(a) Financial statements of businesses acquired.

(i) Audited Consolidated Financial Statement as of December 31, 2016 and 2015, and for the Years Ended December 31, 2016, 2015, and 2014.

(ii) Unaudited Condensed Consolidated Financial Statements as of September 30, 2017 and for the Three- and Nine-Month Periods Ended September 30, 2017 and September 30, 2016.

(b) Pro forma financial information.

The following unaudited pro forma combined financial statements giving effect to the merger of Melinta and Cempra, completed November 3, 2017 (as of September 30, 2017) are included in this report:

(i) Unaudited pro forma condensed combined balance sheet as of September 30, 2017.

(ii) Unaudited pro forma condensed combined statement of operations for the nine months ended September 30, 2017.

(iii) Unaudited pro forma condensed combined statement of operations for the year ended December 31, 2016.

(c) Exhibits.

Exhibit No.	Description
23.1	Consent of Deloitte & Touche LLP, Independent Registered Public Accounting Firm.
99.1	Audited Consolidated Financial Statements as of December 31, 2016 and 2015, and for the Years Ended December 31, 2016, 2015, and 2014
99.2	Unaudited Condensed Consolidated Financial Statements as of September 30, 2017 and for the Three- and Nine-Month Periods Ended September 30, 2017 and September 30, 2016
99.3	Melinta's Management's Discussion and Analysis of Financial Condition and Results of Operations
99.4	Unaudited Pro Forma Condensed Combined Financial Statements

SIGNATURES

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

Date: December 5, 2017

Melinta Therapeutics, Inc.

By: /s/ Paul Estrem
Paul Estrem
Chief Financial Officer

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement No. 333-203945 and Post-Effective Amendment Nos. 1, 2, and 3 to Registration Statement No. 333-203945 on Form S-3ASR, as well as Registration Statement Nos. 333-221531, 333-219881, 333-204560, 333-190891, and 333-181358 on Form S-8, of our report dated May 10, 2017 (December 5, 2017 as to the basic and diluted net loss per share included in the statement of operations and described in Note 19, and as to the industry segment and geographic information included in Note 2 to the audited consolidated financial statements), relating to the consolidated financial statements of Melinta Therapeutics, Inc. and subsidiaries (which report expresses an unqualified opinion and includes an explanatory paragraph relating to uncertainty about the Company's ability to continue as a going concern), appearing in the Consolidated Financial Statements on Form 8-K/A of Melinta Therapeutics, Inc. for each of the three years in the period ended December 31, 2016.

Chicago, Illinois
December 5, 2017

Exhibit 99.1

Melinta Therapeutics, Inc.

Financial Statements as of December 31, 2016 and 2015, and
for the Years Ended December 31, 2016, 2015 and 2014, and
Report of Independent Registered Public Accounting Firm

MELINTA THERAPEUTICS, INC.

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Melinta Therapeutics, Inc.
New Haven, Connecticut

We have audited the accompanying consolidated balance sheets of Melinta Therapeutics, Inc. and subsidiaries (the "Company"), as of December 31, 2016 and 2015, and the related consolidated statements of operations, stockholders' deficit, cash flows, and the related notes to the consolidated financial statements for each of the three years in the period ended December 31, 2016. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States) and in accordance with the auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2016 and 2015, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2016 in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming the Company will continue as a going concern. As discussed in Note 1 to the financial statements, the Company's recurring losses from operations and stockholders' deficit

raise substantial doubt about its ability to continue as a going concern. Management's plans concerning these matters are also discussed in Note 1 to the financial statements. These financial statements do not include any adjustments that might result from the outcome of this uncertainty.

/s/ Deloitte & Touche LLP

Chicago, Illinois

May 10, 2017 (December 5, 2017 as to the basic and diluted net loss per share included in the statement of operations and described in Note 19, and as to the industry segment and geographic information included in Note 2 to the audited consolidated financial statements)

MELINTA THERAPEUTICS, INC.

CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)

	As of December 31,	
	2016	**2015**
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 11,409	$ 30,158
Receivables	454	497
Prepaid expenses and other current assets	3,226	1,038
Preferred stock tranche assets	—	1,313
Total current assets	15,089	33,006
Property and equipment, net	1,101	1,258
Other assets	444	1,964
TOTAL ASSETS	$ 16,634	$ 36,228
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 5,136	$ 5,206
Accrued expenses	6,360	8,274
Notes payable, net	11,075	4,497
Accrued interest on note payable	174	188
Preferred stock warrants	674	1,456
Total current liabilities	23,419	19,621
LONG-TERM LIABILITIES:		
Notes payable, net of current	12,647	23,729
Convertible promissory notes (See Notes 5 & 17)	45,127	—
Deferred revenues	9,008	9,008
Accrued notes payable exit fee	1,050	1,050
Other long-term liabilities	491	192
Total long-term liabilities	68,323	33,979
COMMITMENTS AND CONTINGENCIES		
CONVERTIBLE PREFERRED STOCK:		
Series 1 Convertible Preferred Stock, $0.01 par value; liquidation preference of $18,822 as of December 31, 2016	1,433	1,433
Series 2-A Convertible Preferred Stock, $0.01 par value; liquidation preference of $25,683 as of December 31, 2016	17,027	17,027
Series 2-B Convertible Preferred Stock, $0.01 par value; liquidation preference of $112,254 as of December 31, 2016	49,038	49,038
Series 3 Convertible Preferred Stock, $0.01 par value; liquidation preference of $84,863 as of December 31, 2016	71,125	71,125
Series 3-B Convertible Preferred Stock, $0.01 par value; liquidation preference of $16,326 as of December 31, 2016	5,991	5,991
Series 4 Convertible Preferred Stock, $0.01 par value; liquidation preference of $78,405 as of December 31, 2016	73,729	60,113
Total convertible preferred stock	218,343	204,727
STOCKHOLDERS' DEFICIT:		
Common stock, $0.001 par value; 350,000,000 shares authorized; 1,161,583 and 1,003,388 shares issued and outstanding at December 31, 2016, and December 31, 2015, respectively	1	1
Additional paid-in capital	220,291	217,711
Accumulated deficit	(513,743)	(439,811)
Total stockholders' deficit	(293,451)	(222,099)
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	$ 16,634	$ 36,228

The accompanying notes are an integral part of these consolidated financial statements.

MELINTA THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Years Ended December 31,		
	2016	2015	2014
REVENUES	$ —	$ —	$ —
OPERATING EXPENSES:			
Research and development	49,791	62,788	53,647
General and administrative	19,410	14,159	13,562
Total operating expenses	69,201	76,947	67,209
Loss from operations	(69,201)	(76,947)	(67,209)
OTHER (EXPENSE) INCOME, NET:			
Interest income	30	31	24
Interest expense	(3,390)	(3,160)	(1,396)
Interest expense on convertible promissory notes (See Notes 5 & 17)	(1,016)	—	—
Loss on early extinguishment of debt	—	—	(153)
Change in fair value of tranche assets and liabilities	(1,313)	(2,727)	(351)
Change in fair value of warrant liability	781	42	—
Adjustment to liability for potential royalties	—	3,978	1,026
State tax exchange credit	160	114	275
Foreign exchange loss	17	(7)	—
Total other expense, net	(4,731)	(1,729)	(575)
NET LOSS	$(73,932)	$(78,676)	$ (67,784)
Accretion of convertible preferred stock dividends	(21,117)	(16,248)	(9,859)
Net loss attributable to common stockholders	$(95,049)	$(94,924)	$ (77,643)
Net loss per share attributable to common stockholders, basic and diluted	$ (94.29)	$(600.78)	$(1,125.26)
Weighted-average shares, basic and diluted	1,008	158	69

The accompanying notes are an integral part of these consolidated financial statements.

MELINTA THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' DEFICIT

(In thousands, except share data)

	Common Stock		Additional Paid-In	Accumulated	Total Stockholders'
	Shares	Amount	Capital	Deficit	Deficit
Balances at January 1, 2014	68,872	$ —	$ 214,188	$ (293,351)	$ (79,163)
Stock-based compensation	—	—	1,374	—	1,374
Common stock forfeitures	(68)	—	—	—	—
Net loss	—	—	—	(67,784)	(67,784)
Balances at December 31, 2014	68,804	$ —	$ 215,562	$ (361,135)	$ (145,573)
Stock-based compensation	—	—	1,785	—	1,785
Common stock forfeitures	(65)	—	—	—	—
Stock option exercises	934,649	1	364	—	365
Net loss	—	—	—	(78,676)	(78,676)
Balances at December 31, 2015	1,003,388	$ 1	$ 217,711	$ (439,811)	$ (222,099)
Stock-based compensation	—	—	2,515	—	2,515
Common stock forfeitures	(232)	—	—	—	—
Stock option exercises	158,427	—	65	—	65
Net loss	—	—	—	(73,932)	(73,932)
Balances at December 31, 2016	1,161,583	$ 1	$ 220,291	$ (513,743)	$ (293,451)

The accompanying notes are an integral part of these consolidated financial statements.

MELINTA THERAPEUTICS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Years Ended December 31,		
	2016	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$(73,932)	$(78,676)	$(67,784)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation expense	497	624	518
Adjustment to liability for potential royalties	—	(3,971)	(1,026)
Change in fair value of tranche assets and liabilities	1,313	2,721	351
Loss on early extinguishment of debt	—	—	153
Non-cash interest expense	2,010	1,441	779
Stock-based compensation	2,515	1,785	1,374
Change in fair value of warrant liability	(781)	(42)	—
Write off of deferred equity finance costs	969	—	—
Asset impairment	—	231	—
Other	—	12	—
Changes in operating assets and liabilities:			
Receivables	43	(228)	(149)
Prepaid expenses and other current assets	(1,461)	458	516
Accounts payable	(21)	(2,874)	4,186
Accrued expenses	(1,840)	(2,418)	2,371
Accrued interest on notes payable	(14)	119	(2)
Deferred revenues	—	9,008	—
Other non-current assets and liabilities	122	(744)	—
Net cash used in operating activities	(70,580)	(72,554)	(58,713)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Purchases of property and equipment	(463)	(688)	(410)
Net cash used in investing activities	(463)	(688)	(410)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from the issuance of convertible preferred stock	13,625	82,991	50,000
Payment of preferred stock issuance costs	(9)	(92)	(62)
Proceeds from the issuance of notes payable	44,111	10,000	20,000
Proceeds from the exercise of stock options	65	365	—
Deferred stock issuance costs	—	(405)	—
Payment of notes payable issuance costs and fees	—	—	(274)
Repayment of notes payable	(5,498)	—	(9,404)
Fees paid upon repayment of notes payable	—	—	(709)
Net cash provided by financing activities	52,294	92,859	59,551
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(18,749)	19,617	428
CASH AND CASH EQUIVALENTS, beginning of the year	30,158	10,541	10,113
CASH AND CASH EQUIVALENTS, end of the period	$ 11,409	$ 30,158	$ 10,541
Supplemental cash flow information:			
Cash paid for interest	$ 2,411	$ 1,600	$ 619
Cash received from exchange of state tax credits, net	$ 207	$ —	$ 176
Supplemental non-cash flow information:			
Accrued notes payable exit fee	$ —	$ 175	$ 875
Accrued notes payable issuance costs	$ —	$ —	$ 87
Accrued purchases of fixed assets	$ 12	$ 135	$ 37
Accrued deferred stock issuance costs	$ 475	$ 559	$ —

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 – NATURE OF THE BUSINESS

Melinta Therapeutics, Inc. (the "Company" or "Melinta"), a Delaware corporation, was formed in October 2000. The Company is a pre-commercial stage biopharmaceutical company developing new antibiotics to overcome drug-resistant, life-threatening infections. The Company has a late-stage product, Baxdela, which is being advanced for acute bacterial skin and skin structure infections and other serious infections. The Company also has a proprietary drug discovery platform, enabling a unique understanding of how antibiotics combat infection and has generated a pipeline spanning multiple phases of research and clinical development. The Company filed two New Drug Applications (NDAs) for intravenous (IV) and tablet formulations of Baxdela with the United States' Food and Drug Administration (FDA) on October 19, 2016, and, due to the Company's receipt of a designation that provides priority and expedited review, received FDA approval on June 19, 2017. The Company is currently completing its plans to commercialize Baxdela and anticipates sales will begin in the first quarter of 2018.

The Company is subject to risks similar to other companies in the industry, including, but not limited to, the uncertainty of drug discovery and development, the need for additional funding, dependence on key personnel, risks related to biotechnology, uncertainty of regulatory approval, and protection of proprietary technology. There can be no assurance that the Company's research and development efforts will be successful, that adequate patent protection for the Company's technology will be obtained, that any products developed will obtain the necessary government regulatory approval, or that any approved products will be commercially viable. In addition, the Company operates in an environment of rapid change in technology, with substantial competition from pharmaceutical and biotechnology companies, and is dependent upon the services of its employees and consultants.

The Company is privately held and was recapitalized in November 2012 when a new investor led a Series 2 Preferred Stock financing in the amount of $67,500 (the "Recapitalization"). In January 2014, the Company finalized a Series 3 Preferred Stock Agreement for an additional $70,000 financing, with both existing and new stockholders participating. Melinta received $50,000 of the Series 3 financing in 2014 and $20,000 in 2015. In December 2014, the Company entered into a loan agreement with a new lender pursuant to which it borrowed an initial term loan amount of $20,000. In January 2015, the Company received $15,000 relating to agreements signed with Eurofarma Laboratorios, S.A. ("Eurofarma") in December 2014. In June 2015, pursuant to the Series 4 Convertible Preferred Stock Purchase Agreement ("Series 4 Purchase Agreement"), the Company agreed to sell up to $67,000 of Convertible Preferred Stock ("Series 4 Preferred Stock") for which the Company received proceeds of $46,000 and $11,000 in June 2015 and December 2015, respectively. In December 2015, pursuant to the achievement of certain milestones with respect to the terms in the loan agreement, the Company received an additional advance on the term loan in the amount of $10,000. In March 2016, the Company received net proceeds of $13,616 in connection with the exercise of an optional third closing of Series 4 Preferred Stock. Melinta also received $44,111 from the issuance of convertible promissory notes in installments during the third and fourth quarters of 2016. See Note 5 for further discussion of the optional third closing and the convertible promissory notes.

The Company has incurred losses from operations since its inception and had an accumulated deficit of $513,743 as of December 31, 2016. In addition, at December 31, 2016, the Company had $68,613 of outstanding principal balance of notes payable. The Company expects to incur substantial expenses and further losses in the foreseeable future for the research, development, and commercialization of its product candidates. These conditions raise substantial doubt about the Company's ability to continue as a going concern. As a result, the Company will need to fund its operations through public or private equity offerings, debt financings, or corporate collaborations and licensing arrangements. During the year ended December 31, 2016, the Company raised $57,736 through equity and debt financing and partnering activities. In addition, subsequent to year-end, the Company entered into additional convertible note agreements, which provide access to $18,194 of debt financing, of which the Company received advanced funding of $4,120 as of December 31, 2016 (see Note 5), and received $19,904 associated with a new licensing and collaboration agreement with a company in Europe (see Note 20). These amounts plus existing cash and cash equivalents will not be sufficient to fund the Company's operations for the entirety of 2017, based on the Company's 2017 operating plan, and there can be no assurance that the Company will be able to raise the capital it requires on favorable terms, in sufficient amounts or at all. The accompanying financial statements have been prepared on a going-concern basis and do not include any adjustments that might result from the outcome of these uncertainties.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation and Use of Estimates—The Company's financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents—The Company considers all highly liquid investments with original maturities of three months or less at time of purchase to be cash equivalents. The Company invests excess cash primarily in money market funds.

Concentration of Credit Risk—Concentration of credit risk exists with respect to cash and cash equivalents. The Company maintains its cash and cash equivalents with federally insured financial institutions, and at times, the amounts may exceed the federally insured deposit limits. To date, the Company has not experienced any losses on its deposits of cash and cash equivalents. Management believes that the Company is not exposed to significant credit risk due to the financial position of the depository institutions in which deposits are held.

Fair Value of Financial Instruments—The carrying amounts of the Company's financial instruments, which include cash and cash equivalents, tax credit and other receivables, accounts payable, accrued expenses, notes payable, preferred stock tranche assets and liabilities and preferred stock warrants, approximated their fair values at December 31, 2016 and 2015.

Debt Issuance Costs—Debt issuance costs represent legal and other direct costs incurred in connection with the Company's notes payable. These costs were recorded as debt issuance costs in the balance sheets at the time they were incurred, as a contra-liability included in the notes payable line item, and are amortized as a non-cash component of interest expense using the effective interest method over the term of the note payable.

Property and equipment—Property and equipment are recorded at cost less accumulated depreciation and are depreciated using the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the shorter of their useful lives or the remaining term of the lease. Major improvements are capitalized, while repair and maintenance costs, which do not improve or extend the useful lives of the respective assets, are expensed as incurred. Upon retirement or sale, the cost of assets disposed of and the related accumulated depreciation are removed from the balance sheets and any resulting gain or loss is credited or charged to income.

Depreciation periods for the Company's property and equipment are as follows:

Laboratory equipment	5 years
Furniture and fixtures	5 years
Office equipment	3 years
Leasehold improvements	Shorter of useful life or lease term
Purchased software	3 years

Impairment of Long-Lived Assets—Long-lived assets consist primarily of property and equipment. The Company will record impairment losses on long-lived assets used in operations when events and circumstances indicate that the carrying amount of an asset or group of assets may not be fully recoverable. The Company has not recorded any significant impairment charges to date with respect to its fixed assets.

Revenue Recognition—As a pre-commercial stage biopharmaceutical company, the Company does not yet have any approved products, and no product revenues are being currently generated by the Company.

Research and Development Costs—Research and development costs are expensed as incurred and primarily include:

- external discovery and development costs incurred through agreements with contract research organizations, contract manufacturers and medicinal chemistry service providers, and milestone and license payments made under licensing arrangements;
- scientific salaries, fringes and stock-based compensation;
- depreciation and amortization expenses for long-lived assets supporting research and development activities;
- laboratory supplies; associated rent and other facilities costs; professional and consulting fees; and
- travel and other costs.

Patent Costs—All patent-related costs incurred in connection with filing and prosecuting patent applications are expensed to general and administrative expenses as incurred, as recoverability of such expenses is uncertain.

Stock-Based Compensation—The Company has two stock-based compensation plans, known as the 2001 Stock Option and Incentive Plan (the "2001 Plan") and the 2011 Equity Incentive Plan (the "2011 Plan"). Under these plans, restricted stock, stock options and other stock-related awards may be granted to the Company's directors, officers, employees and consultants. Stock options are granted at exercise prices not less than the fair market value of the Company's common stock at the date of grant.

The Company utilizes a Black-Scholes option-pricing model for determining the estimated fair value of awards. Key inputs and assumptions include the expected term of the option, stock price volatility, risk-free interest rate, dividend yield, stock price, and exercise price. Many of the assumptions require significant judgment and any changes could have a material impact in the determination of stock-based compensation expense. After the adoption of ASU 2016-09 (see discussion below), the Company does not estimate forfeitures when recognizing compensation expense; instead, it recognizes forfeitures as they occur.

The Company recognizes stock-based compensation expense on a straight-line basis over the requisite service period of the individual grants, which is generally the vesting period, based on the estimated grant-date fair values. Stock options granted to employees typically vest over four years from the grant date and expire after 10 years. Stock options granted to nonemployees are subject to periodic revaluation over their vesting terms. As a result, the charge to operations for nonemployee options with vesting is affected each reporting period by changes in the fair value of the stock options.

Comprehensive Loss—Comprehensive loss is equal to net loss as presented in the accompanying statements of operations.

Preferred Stock Warrants—In connection with a loan and security agreement ("2014 Loan Agreement") entered into during 2014, the Company issued preferred stock warrants. The Company accounts for the freestanding warrants to purchase shares of convertible preferred stock at fair value as liabilities in the balance sheets, as such warrants provide the holders with "down-round" protection, can be settled on a net basis, and are related to convertible preferred stock classified outside of stockholders' deficit. The preferred stock warrants are subject to remeasurement using a Black-Scholes option-pricing model at each respective balance sheet date, with changes in the fair value recorded as other income or expense in the statements of operations.

Income Taxes—The Company utilizes the asset and liability method of accounting for income taxes, as set forth in Accounting Standards Codification ("ASC") 740, *Income Taxes*. Under this method, deferred tax assets and liabilities are recognized based on the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities. A valuation allowance is established against net deferred tax assets if, based on the weight of available evidence, it is more likely than not that some or all of the net deferred tax assets will not be realized.

The Company has recorded a full valuation allowance at each balance sheet date presented. Based on the available evidence, the Company does not believe that it is more likely than not that it will be able to utilize its deferred tax assets in the future.

In accordance with the provisions of ASC 740, the Company would accrue for the estimated amount of taxes for uncertain tax positions if it is more likely than not that the Company would be required to pay such additional taxes. An uncertain tax position will not be recognized if it has a less than 50% likelihood of being sustained. The Company's policy is to recognize any interest and penalties related to income taxes in income tax expense. As of December 31, 2016 and 2015, the Company had no uncertain tax positions.

Convertible Preferred Stock—The Company has adopted the provisions of ASC 480-10-S99-3A, "*SEC Staff Announcement: Classification and Measurement of Redeemable Securities,*" for all periods presented, and accordingly classifies its Series 1, Series 2, Series 3 and Series 4 convertible preferred stock outside of stockholders' deficit. This results from the Company's certificate of incorporation allowing for the occurrence of a deemed liquidation event in which all of the holders of equally and more subordinated equity instruments of the Company would not always be entitled to receive the same form of consideration in the same proportion. Such a deemed liquidation event is currently not probable of occurring.

Industry Segment and Geographic Information—The Company operates in a single industry segment – the discovery and development of antibiotics for the treatment of drug-resistant, life-threatening infections. The Company had no foreign based operations during any of the years presented.

Recently Adopted Accounting Pronouncements

In August 2014, the FASB issued ASU 2014-15, *Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, which is effective for annual reporting periods ending after December 15, 2016. This pronouncement provides additional guidance surrounding the disclosure of going concern uncertainties in the financial statements and implements requirements for management to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. The Company adopted this guidance as of January 1, 2016. The adoption did not have any impact on the Company's financial position, results of operations or cash flows.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. On January 1, 2016, the Company adopted this guidance on a modified retrospective basis and changed its accounting policy for stock-based compensation to recognize stock option forfeitures as they occur rather than estimating an expected amount of forfeitures. The impact of this change to the financial statements was not significant and, therefore, the Company did not record an adjustment to its beginning accumulated deficit as of January 1, 2016.

Other Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue From Contracts With Customers*, which was originally effective for annual reporting periods beginning after December 15, 2016. In July 2015, the FASB deferred the effective date of ASU 2014-09 by one year. In April and May 2016, the FASB issued ASU's 2016-10 and 2016-12, respectively, which amended certain aspects of the guidance in ASU 2016-09. The update, as amended, is now effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted as of the original effective date. This pronouncement outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Companies can choose to apply the standard retrospectively to each prior reporting period presented (full retrospective application) or retrospectively with the cumulative effect of initially applying the standard to contracts that are not completed as of the adoption date as an adjustment to the opening balance of retained earnings of the annual reporting period that includes the date of initial application (modified retrospective application). The Company is planning to adopt this guidance as of January 1, 2018, using the modified retrospective application. The Company expects that the adoption of this guidance will not have a material impact on the Company's financial position, results of operations or cash flows.

In February 2016, the FASB issued ASU 2016-02, *Leases*, its new standard on accounting for leases. ASU 2016-02 introduces a lessee model that brings most leases on the balance sheet and requires that entities apply the effects of these changes using a modified retrospective approach, which includes a number of optional practical expedients. The new guidance will be effective for public business entities for annual periods beginning after December 15, 2018 (e.g., calendar periods beginning on January 1, 2019), and interim periods therein. For all other entities, ASU 2016-02 will be effective for annual periods beginning after December 15, 2019 (e.g., calendar periods beginning on January 1, 2020), and interim periods thereafter. ASU 2016-02 requires a modified retrospective approach for all leases existing at, or entered into after, the date of initial application, with an option to elect to use certain transition relief. The Company plans to adopt this guidance as of January 1, 2019, and it is currently evaluating the impact that the adoption of ASU 2016-02 will have on its financial position, operations and cash flows.

In March 2016, the FASB issued ASU 2016-06, *Contingent Put and Call Options in Debt Instruments,* which clarifies that in assessing whether an embedded contingent put or call option is clearly and closely related to the debt host, an entity is required to perform only the four-step decision sequence in ASC 815-15-25-42 (as amended by ASU 2016-06), but it does not have to separately assess whether the event that triggers its ability to exercise the contingent option is itself indexed only to interest rates or credit risk. ASU 2016-06 is effective for financial statements issued for fiscal years beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. An entity can early adopt ASU 2016-06, including in an interim period; however, if the entity early adopts it in an interim period, it should reflect any adjustment as of the beginning of the fiscal year that includes the interim period. ASU 2016-06 requires the use of a modified retrospective transition approach. The Company plans to adopt this guidance on January 1, 2018, and it is currently evaluating the impact that the adoption of ASU 2016-06 will have on its financial position, operations and cash flows.

In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, which clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. The ASU states that an entity 1) should include amounts deemed to be restricted cash in its cash and cash-equivalent balances in the statement of cash flows; 2) should present a reconciliation between the statement of financial position and statement of cash flows when the statement of financial position includes more than one line item for cash or cash equivalents; 3) must not present changes in restricted cash that result from transfers between unrestricted and restricted cash as cash flow activities in the statement of cash flows; and

4) must disclose information about material amounts of restricted cash. The ASU is effective for public entities for fiscal years beginning after December 15, 2017, including interim periods. It is effective for all other entities one year later. The Company adopted this guidance as of January 1, 2017, retrospectively to all periods presented. Adopting this guidance has no impact on the Company's financial statements presented because it does not have any restricted cash on its consolidated balance sheets.

On August 26, 2016, the FASB issued ASU 2016-15, which amends the guidance in ASC 230 on the classification of certain cash receipts and payments in the statement of cash flows. The primary purpose of the ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. The ASU's amendments add or clarify guidance on eight cash flow issues:

- Debt prepayment or debt extinguishment costs;
- Settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing;
- Contingent consideration payments made after a business combination;
- Proceeds from the settlement of insurance claims;
- Proceeds from the settlement of corporate-owned life insurance policies, including bank-owned life insurance policies;
- Distributions received from equity method investees;
- Beneficial interests in securitization transactions; and
- Separately identifiable cash flows and application of the predominance principle.

The guidance in the ASU is effective for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities. Entities must apply the guidance retrospectively to all periods presented but may apply it prospectively from the earliest date practicable if retrospective application would be impracticable. The Company plans to adopt this guidance on January 1, 2019, and it is currently evaluating the impact that the adoption will have on its financial position, operations and cash flows.

NOTE 3 – EUROFARMA AGREEMENT

In December 2014, the Company entered into a Series 3-B Convertible Preferred Stock Purchase Agreement (the "Stock Purchase Agreement") and concurrent Distribution (the "Distribution Agreement") and Supply Agreements (the "Supply Agreement") with Eurofarma. The Distribution Agreement and Supply Agreement, collectively, are referred to as the "Commercial Agreements." Pursuant to the Stock Purchase Agreement, the Company agreed to issue to Eurofarma 5,262,373 shares of Series 3-B Preferred Stock at the purchase price of $2.660397 per share. Melinta received the proceeds from this stock sale of $14,000 on January 6, 2015, and thus, the purchaser's right to the shares of Series 3-B Preferred Stock began accruing on that date.

Under the Distribution Agreement, the Company appoints Eurofarma as its sole and exclusive distributor of Baxdela formulations in Brazil for use in various indications and Eurofarma agrees to commercialize Baxdela in Brazil for those indications. Eurofarma paid the Company $1,000 under the Distribution Agreement in January 2015. An additional $2,000 will be due upon the earlier of (i) approval of pricing to sell Baxdela in Brazil and (ii) Eurofarma's first commercial sale of Baxdela in Brazil.

Because the Eurofarma agreements were entered into on a concurrent basis, the Company evaluated the entire arrangement as a multiple element arrangement in order to allocate value to each of the identifiable deliverables at the inception of the arrangement. The Company identified the Series 3-B Convertible Preferred Stock equity component and the Commercial Agreements as separate deliverables. The Company estimated the fair values of each unit of accounting and allocated the $15,000 fixed arrangement consideration to those units based on their relative fair values. The fair value of the Commercial Agreements was determined by estimating the value of commercializing the product independently in Brazil versus the value estimated to be received by the Company as a product supplier to Eurofarma. The difference was deemed to be the value of the Commercial Agreements and represents the value of the Brazil distribution rights. The fair value of the equity component was determined using a probability-weighted expected return model ("PWERM") as described in Note 9. Based on this process, the Company recorded approximately $6,000 of Series 3-B Convertible Preferred Stock and approximately $9,000 of deferred revenue in January 2015, the period when the funding provided by these agreements was received and the Series 3-B Preferred Stock was issued. The deferred revenue will be recognized as product is delivered under the Commercial Agreements.

NOTE 4 – BALANCE SHEET COMPONENTS

Prepaid and Other Current Assets—Prepaid and other current assets consisted of the following:

	As of December 31,	
	2016	2015
Prepaid contracted services	$2,483	$ 509
Other prepaid expenses	743	529
Total prepaid and other current assets	$3,226	$1,038

Property and Equipment, Net—Property and equipment, net consisted of the following:

	As of December 31,	
	2016	2015
Laboratory equipment	$ 3,332	$ 3,282
Office equipment	434	404
Purchased software	932	797
Furniture and fixtures	219	188
Leasehold improvements	4,588	4,587
Assets in development	166	90
	9,671	9,348
Less-accumulated depreciation	(8,570)	(8,090)
Property and equipment, net	$ 1,101	$ 1,258

Depreciation expense relating to property and equipment was $497, $624 and $518 for the years ended December 31, 2016, 2015 and 2014, respectively.

Accrued Expenses—Accrued expenses consisted of the following:

	As of December 31,	
	2016	2015
Accrued contracted services	$2,564	$4,727
Payroll related expenses	1,825	1,876
Professional fees	1,540	1,328
Accrued other	431	343
Total accrued expenses	$6,360	$8,274

Accrued contracted services are primarily comprised of amounts owed to third-party clinical research organizations and contract manufacturers for research and development work performed on behalf of the Company, and amounts owed to third-party marketing organizations for work performed to support the commercialization of Baxdela. The accrued expense represents the Company's best estimate of amounts owed through period-end, based on all information available. Such estimates are subject to change as additional information becomes available.

NOTE 5 – NOTES PAYABLE

The Company's outstanding debt balances consisted of the following:

	As of December 31,	
	2016	2015
Principal balance under the 2014 Loan Agreement	$24,502	$30,000
Debt discount and deferred financing costs for 2014 Loan Agreement	(780)	(1,774)
Net balance under the 2014 Loan Agreement	23,722	28,226
Less: current maturities, including deferred financing costs and debt discount	11,075	4,497
Long-term balance under the 2014 Loan Agreement	12,647	23,729
Principal outstanding under Convertible Promissory Notes	44,111	—
Interest outstanding under Convertible Promissory Notes	1,016	—
Total Convertible Promissory Notes	45,127	—
Total long-term debt, net of current maturities	$57,774	$23,729

2012 Loan Agreement

In February 2012, the Company entered into a loan and security agreement (the "2012 Loan Agreement") pursuant to which it borrowed an aggregate principal amount of $15,000. Melinta was obligated to make monthly payments in arrears of interest only through December 1, 2012. Commencing on January 1, 2013, the Company was obligated to make consecutive equal monthly payments of principal and interest. All unpaid principal and accrued and unpaid interest under the 2012 Loan Agreement was due and payable in full on June 1, 2015. For the year ended December 31, 2014, the Company recognized $220 of interest expense related to the amortization of the facility fee and the accrued exit fee.

In December 2014, in connection with the 2014 Loan Agreement (discussed below), the Company paid in full all amounts then due under the 2012 Loan Agreement. Melinta recognized a loss on early extinguishment of debt of $153 for the year ended December 31, 2014.

2014 Loan Agreement

In December 2014, the Company entered into the 2014 Loan Agreement with a lender pursuant to which it borrowed an initial term loan amount of $20,000. In December 2015, pursuant to the achievement of certain milestones with respect to the terms in the 2014 Loan Agreement, the Company borrowed an additional term loan advance in the amount of $10,000.

The Company was obligated to make monthly payments in arrears of interest only, at a rate of the greater of 8.25% or the sum of 8.25% plus the prime rate minus 4.5% per annum, commencing on January 1, 2015, and continuing on the first day of each successive month thereafter through and including June 1, 2016. Commencing on July 1, 2016, and continuing on the first day of each month through and including June 1, 2018, the Company must make consecutive equal monthly payments of principal and interest. All unpaid principal and accrued and unpaid interest with respect to the 2014 Loan Agreement are due and payable in full on June 1, 2018.

The loan is collateralized by substantially all of the Company's assets, excluding its intellectual property. In connection with the 2014 Loan Agreement, the Company entered into a negative pledge arrangement in which the Company has agreed not to encumber its intellectual property. The Company paid a $195 facility fee at the inception of the loan, which was recorded as debt discount and is being recognized as additional interest expense over the term of the loan. Subject to certain limited exceptions, amounts prepaid in relation to the 2014 Loan Agreement are subject to a prepayment fee on

the then outstanding balance of 3% in the first year, 2% in the second year, and 1% thereafter. In addition, upon repayment of the total amounts borrowed, the Company will be required to pay an exit fee equal to 3.5% of the total of the amount borrowed. The amount of the exit fee was $1,050 as of both December 31, 2016 and 2015, and was recorded as a debt discount and included in non-current liabilities. The accrued exit fee is amortized as a non-cash component of interest expense over the term of the loan.

Under the terms of the 2014 Loan Agreement, the Company is subject to operational covenants, including limitations on the Company's ability to incur liens or additional debt, pay dividends, redeem stock, make specified investments and engage in merger, consolidation or asset sale transactions, among other restrictions. The Company was subject to a covenant that required specified minimum levels of liquidity, which commenced July 1, 2015, and was initially $13,000, subject to reduction or termination upon the achievement of certain milestones. In April 2016, the minimum liquidity financial covenant was reduced to $5,000, and in December 2016, it was eliminated altogether. As of December 31, 2016, the Company believes it was in compliance with its operational covenants.

Scheduled future minimum payments under the 2014 Loan Agreement as of December 31, 2016, were as follows:

	Amounts
2017	$13,321
2018	14,263
Total future minimum payments	27,584
(Less) interest	(2,032)
(Less) exit fee	(1,050)
Total principal	24,502
(Less) unamortized debt discount	(780)
Loan payable, net	$23,722

Convertible Promissory Notes

In July 2016, the Company entered into an agreement with certain of its investors to issue $20,000 in Convertible Promissory Notes (the "July Notes"), under which it issued $10,000 in July 2016 and $10,000 in August 2016. In September 2016, the Company entered into an additional agreement with these investors to issue an additional $19,990 in Notes (the "September Notes"), under which it issued $7,845 in September 2016, $2,150 in October and $9,995 in November 2016.

Both the July Notes and the September Notes (collectively, "the Notes"), are unsecured and subordinated in right of payment to the 2014 Loan Agreement and bear an annual interest rate of 8%. Under the terms of the Notes, if the Company completes a preferred stock or common stock financing prior to June 2, 2018, all outstanding principal and accrued interest will automatically convert into shares of the stock issued in the financing based on the price per share of the financing. If the Company does not complete an equity financing prior to June 2, 2018, the note holders have the right to demand repayment of principal and accrued interest or convert all outstanding principal and accrued interest into shares of Series 4 preferred stock at the Series 4 preferred stock price per share of $1.044687. In addition, the September Notes include the right, at the discretion of the investors, to purchase, at fair value, certain assets of the Company using some or all of the September Notes, and other compensation, to complete the purchase.

In January 2017, the Company entered into an additional agreement with certain investors to issue an additional $18,194 in Convertible Promissory Notes, ("January 2017 Notes") to be issued in installments over January, February and March

2017. The terms of the January 2017 Notes are similar to the July Notes; however, in the event of an IPO, the 2017 notes will convert to common shares at a discount of up to 15% of the IPO price. The Company received advanced funding of $4,120 in December 2016 related to the January 2017 Notes.

As of December 31, 2016, the Company had outstanding convertible notes totaling $44,111, and accrued interest of $1,016, for a total carrying value of $45,127. We recorded the accrued interest with the balance of the convertible notes because, under the terms of the notes, we expect the accrued interest to be converted with the notes into shares of stock. This amount is included in long-term notes payable on the consolidated balance sheet.

There are no minimum liquidity requirements or other significant financial covenants associated with the notes.

2017 Loan Agreement

On May 2, 2017, the Company entered into a Loan and Security Agreement with a new lender (the 2017 Loan Agreement). Under the 2017 Loan Agreement, the lender has made available to the Company up to $80,000 in debt financing and up to $10,000 in equity financing. The Company is eligible for up to four tranches of debt, each under a separate promissory note, of $30,000, $10,000, $20,000 and $20,000. No amounts under any of the tranches will be available to the Company until after the NDA approval of Baxdela (see Note 1 for further information on the current status and expected timing). In addition, the availability of the third tranche is subject to the modification of certain of the Company's license agreements to ensure the new lender's rights under the 2017 Loan Agreement (the "License Modification"). While the Company is expecting NDA approval of Baxdela and the License Modification, it can give no assurances such activities will actually occur. Subject to the contingencies referenced previously, after the funding of the first tranche of $30,000, the Company has the right to draw the second and third tranches through the earlier of the 18-month anniversary of the funding of the first tranche and December 31, 2018. In addition to the NDA approval and License Modification, the fourth tranche is available only upon the successful achievement of certain sales milestones on or prior to September 30, 2019 (such sales milestones can be extended to December 31, 2019 if certain conditions are met).

The 2017 Loan Agreement bears an annual interest rate equal to the greater of 8.25% or the sum of 8.25% plus the prime rate minus 4.5%. The Company is also required to pay the lender an end of term fee upon the termination of the arrangement. If the outstanding principal is at or below $40,000, the 2017 Loan Agreement requires interest-only monthly payments for 18 months, at which time the Company has the option to pay the principal due or convert the outstanding loan to an interest plus royalty-bearing note. If, at any time, the principal exceeds $40,000 under the 2017 Loan Agreement, the instruments automatically convert to an interest plus royalty arrangement. Under this arrangement, the lender will receive a royalty, based on net sales, of between 1.02% and 2.72% depending on the balance of notes outstanding. Specifically, the royalty is 1.02% for the first tranche, plus an additional 0.34% after the funding of the second tranche, plus an additional 0.68% after funding of the third tranche and an additional 0.68% after the funding of the fourth tranche. These additional payments will be applied to either accrued interest or principle based on stated rates of return that vary with time. The principal for each note must be repaid by the seventh anniversary of the note, along with end-of-term fees that vary with time.

Under the terms of the 2017 Loan Agreement, the lender has the right to participate in future debt or equity financings of the Company totaling $10,000. Upon the funding of the first loan advance, the lender has committed to $5,000 of this investment, which will be in the form of either the January 2017 Notes or any other debt or equity securities issued by the Company on or prior to the funding of the first tranche of the 2017 Loan Agreement.

The proceeds of the 2017 Loan Agreement will be used to retire the 2014 Loan Agreement, support the commercialization of the Company's lead product and fund the general operations of the Company. There are no financial covenants under the agreement; however, the Company is obligated to provide certain financial information each quarter and fiscal year. The loan will be collateralized by substantially all of the Company's assets.

NOTE 6 – WARRANTS

The Company has outstanding warrants to purchase common stock, originally issued in connection with debt issuances in 2012 or prior years, which have an immaterial fair value, as follows:

- 170 shares at an exercise price of $3,509.57 that expire in September 2017, and
- 1,888 shares at an exercise price of $396.95 that expire in February 2019.

In December 2014, pursuant to the 2014 Loan Agreement, the Company issued warrants to purchase 1,151,936 shares of Series 3 convertible preferred stock ("2014 Series 3 Warrants"), subject to adjustment under certain circumstances. The warrants were immediately exercisable at $0.976616 per share of preferred stock and expire in December 2024. If the Company completes a next preferred stock round or an initial public offering of common stock, the exercise price will be the lower of the then effective exercise price, the preferred round price or 80% of an initial public offering price. The Company valued the 2014 Series 3 Warrants using a Black-Scholes option-pricing model, and the initial fair value of the 2014 Series 3 Warrants of $1,256 was recorded as a debt discount and will be amortized to interest expense over the term of the note payable. The assumptions used in the model were: the fair value of the Series 3 Preferred Stock, which was determined using a PWERM analysis, an expected life of 9.1 years, a risk-free interest rate of 2.1% and an expected volatility of 80%.

In December 2015, in connection with the additional advance under the 2014 Loan Agreement, the Company issued additional warrants to purchase 230,387 share of Series 3 convertible preferred stock ("2015 Series 3 Warrants"), subject to adjustment under certain circumstances. The warrants were immediately exercisable at $0.976616 per share of preferred stock and expire in December 2024. If the Company completes a next preferred stock round or an initial public offering of common stock, the exercise price will be the lower of the then effective exercise price, the preferred round price or 80% of an initial public offering price. The Company valued the 2015 Series 3 Warrants using a Black-Scholes option-pricing model, and the initial fair value of the 2015 Series 3 Warrants of $242 was recorded as a debt discount and will be amortized to interest expense over the term of the note payable. The assumptions used in the model were: the fair value of the Series 3 Preferred Stock, which was determined using a PWERM analysis, an expected life of 8.4 years, a risk-free interest rate of 2.2% and an expected volatility of 82%.

The Company classified the 2014 and 2015 Series 3 Warrants as a liability in its balance sheet and is required to remeasure the carrying value of these warrants to fair value at each balance sheet date, with adjustments for changes in fair value recorded to other income or expense in its statements of operations. As of December 31, 2016 and 2015, the fair value of the warrants was $674 and $1,456, respectively. To remeasure the 2014 and 2015 Warrants at December 31, 2016, the assumptions used in the Black-Scholes option-pricing model were: the fair value of the Series 3 Preferred Stock, which was determined using a PWERM analysis, an expected life of 7.5 years, a risk-free interest rate of 2.3% and an expected volatility of 98%.

NOTE 7 – INTEREST EXPENSE

Interest expense in the statements of operations consisted of the following:

	Year Ended December 31,		
	2016	2015	2014
Cash interest expense	$2,397	$1,719	$ 617
Noncash interest expense:			
Debt discount and deferred financing costs	993	1,091	299
Liability for potential royalty accretion (See Note 8)	—	350	480
Subtotal noncash interest expense	993	1,441	779
Total interest expense	$3,390	$3,160	$1,396
Interest accrued on convertible promissory notes	$1,016	$ —	$ —

NOTE 8 – COLLABORATION AND LICENSE AGREEMENT WITH SANOFI

In June 2011, the Company executed an exclusive, worldwide research collaboration and license agreement (the "Collaboration") with Sanofi, a global pharmaceutical company, for novel classes of antibiotics resulting from the Company's ESKAPE pathogen program (at the time known as the RX-04 program). Under the terms of the Collaboration, the Company received nonrefundable fees related to contract research and development milestones (as defined in the Collaboration) of $19,000 and $3,000 in July 2011 and January 2012, respectively, which had been achieved as of those dates.

Under ASC 730-20, *Research and Development—Research and Development Arrangements*, the Company determined that the Collaboration should be accounted for as an obligation to perform contractual services as the repayment of any of the arrangement consideration provided by Sanofi depended solely on the results of the Collaboration during the Research Term (June 28, 2011, to June 28, 2014) having future economic benefit.

The Company evaluated the Collaboration in accordance with ASC 605-25, *Revenue Recognition – Multiple Element Arrangements*, and determined that the deliverables under the Collaboration should be accounted for as a single unit of accounting. The Company determined it would fulfill its performance obligations under the Collaboration ratably throughout the period over which the performance obligations occur, and therefore, recognized the nonrefundable fees into revenue on a straight-line basis over the Research Term.

In July 2013, the Company and Sanofi executed a termination agreement (the "Termination Agreement"), pursuant to which all rights, obligations, and duties under the Collaboration were terminated for both parties. The Company retains all of the rights, title, and interest in all ESKAPE pathogen products. As consideration for being released from its remaining obligations under the Collaboration, the Company agreed to increase the royalty payments to be made to Sanofi as compared to the original royalty payments that would have been made under the Collaboration. Under the Termination Agreement, the Company is obligated to make royalty payments to Sanofi equal to the applicable percentage of worldwide net sales of qualified products (as defined). The applicable percentage shall be 3% until the aggregate payments to Sanofi equal $22,000, at which time the applicable percentage will be reduced to 1% during the remaining period of the royalty obligation (as defined). Qualified products shall only include those products that are commercialized on or before the tenth anniversary date of the Termination Agreement. The obligation to make any royalty payments ends 10 years after the first commercial sale of the first such qualifying product. The Company considered the release of the remaining obligation in exchange for the obligation to make incremental royalty payments to be a nonmonetary transaction under ASC 845, *Nonmonetary Transactions*. Based on the nature of the Termination Agreement, the obligation

to pay the incremental royalty payments, should future sales occur, has been deemed similar to transactions representing a sale of future revenues for which debt classification is appropriate based on the provisions of ASC 470, *Debt*. Accordingly, the Company recognized, at the date of the Termination Agreement, a liability for potential future royalties based on the fair value of the potential future royalty payments that may be made to Sanofi, which was estimated to be $3,926.

The liability for potential future royalty payments is presented in the balance sheets as "Liability for Potential Royalties" and was initially being accreted to its expected future value using the effective interest method, with adjustments made to the liability by recording a cumulative adjustment for any changes in estimates related to the amount and timing of estimated future royalty payments. In July 2014, the Company revised its estimated commercialization date of future ESKAPE antibiotics from 2018 to 2020, resulting in a decrease to the projected liability of $1,026, which was recognized in other income for the year ended December 31, 2014. In December 2015, the Company further revised its estimated commercialization date of future ESKAPE antibiotics to beyond July 2023, which would preclude the ESKAPE antibiotics from being a qualified product eligible for royalties. Accordingly, the Company determined that the expected liability was $0 as of December 31, 2015, and recognized a gain of $3,971, which was recorded as other income for the year ended December 31, 2015. As of December 31, 2016, there were no qualified products under development; as such, the liability for potential future royalties continues to be estimated as $0, and there is no need to evaluate the value of the liability in future periods. Non-cash interest expense related to accretion of the liability was $0, $350 and $480 for the years ended December 31, 2016, 2015 and 2014, respectively.

NOTE 9 – FAIR VALUE MEASUREMENTS

The provisions of the accounting standard for fair value define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The transaction of selling an asset or transferring a liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant who holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received when selling an asset or paid to transfer a liability (an exit price) at the measurement date. This standard classifies the inputs used to measure fair value into the following hierarchy:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3—Unobservable inputs for the asset or liability.

The following table lists the Company's assets and liabilities that are measured at fair value and the level of inputs used to measure their fair value at December 31, 2016 and 2015. The money market fund is included in cash & cash equivalents on the balance sheet; the other items are in the captioned line of the balance sheet.

	As of December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market fund	$ 2,035	$ —	$ —	$ 2,035
Preferred stock tranche assets	—	—	—	—
Total assets at fair value	$ 2,035	$ —	$ —	$ 2,035
Liabilities:				
Preferred stock warrants	$ —	$ —	$ 674	$ 674
Total liabilities at fair value	$ —	$ —	$ 674	$ 674

	As of December 31, 2015			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market fund	$13,016	$ —	$ —	$13,016
Preferred stock tranche assets	—	—	1,313	1,313
Total assets at fair value	$13,016	$ —	$1,313	$14,329
Liabilities:				
Preferred stock warrants	$ —	$ —	$1,456	$ 1,456
Total liabilities at fair value	$ —	$ —	$1,456	$ 1,456

The preferred stock warrants and preferred stock tranche assets and liabilities were valued using a Black-Scholes option-pricing model and Level 3 unobservable inputs. The significant unobservable inputs include the value of the Company's convertible preferred stock valued using a PWERM method (as described in the next paragraph), the risk-free interest rate, remaining contractual term, and expected volatility. Significant increases or decreases in any of these inputs in isolation would result in a significantly different fair value measurement. An increase in the risk-free interest rate, and/or an increase in the remaining contractual term or expected volatility, would result in an increase in the fair value of the warrants.

The Company's convertible Series 3-B Preferred Stock (see Note 10), issued under the Eurofarma agreement (see Note 3), was valued using a PWERM method, including Level 3 unobservable inputs. Under a PWERM, the value of the Company's convertible preferred stock, common stock and derivative instruments are estimated based upon an analysis of future enterprise values under various liquidity events. The future enterprise value is allocated among the various equity classes expected to be outstanding at the liquidity events based on the rights and preferences of each class. The significant unobservable inputs include the total probabilities of an initial public offering ("IPO"), sale/merger scenarios and liquidation. Multiple scenarios were considered, in order to reflect a range of possible future values; however, the greatest weighting was applied to the IPO scenarios. Significant increases or decreases in these inputs in isolation would result in a significantly different fair value measurement.

The following table summarizes the changes in fair value of the Company's Level 3 assets for the years ended December 31, 2016 and 2015:

Level 3 Assets	Fair Value at December 31, 2015	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Issuances (Settlements)	Net Transfer In (Out) of Level 3	Fair Value at December 31, 2016
Preferred stock tranche assets	$ 1,313	$ —	$ (1,313)	$ —	$ —	$ —
Total assets at fair value	$ 1,313	$ —	$ (1,313)	$ —	$ —	$ —

Level 3 Assets	Fair Value at December 31, 2014	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Issuances (Settlements)	Net Transfer In (Out) of Level 3	Fair Value at December 31, 2015
Preferred stock tranche assets	$ —	$ —	$ (1,349)	$ 2,662	$ —	$ 1,313
Total assets at fair value	$ —	$ —	$ (1,349)	$ 2,662	$ —	$ 1,313

The following tables summarize the changes in fair value of the Company's Level 3 liabilities for the years ended December 31, 2016 and 2015:

Level 3 Liabilities	Fair Value at December 31, 2015	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	(Issuances) Settlements	Net Transfer In (Out) of Level 3	Fair Value at December 31, 2016
Preferred stock warrants	$ (1,456)	$ —	$ 782	$ —	$ —	$ (674)
Total liabilities at fair value	$ (1,456)	$ —	$ 782	$ —	$ —	$ (674)

Level 3 Liabilities	Fair Value at December 31, 2014	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	(Issuances) Settlements	Net Transfer In (Out) of Level 3	Fair Value at December 31, 2015
Preferred stock tranche liabilities	$ (3,673)	$ —	$ (1,379)	$ 5,052	$ —	$ —
Preferred stock warrants	(1,256)	—	42	(242)	—	(1,456)
Total liabilities at fair value	$ (4,929)	$ —	$ (1,337)	$ 4,810	$ —	$ (1,456)

NOTE 10 – CONVERTIBLE PREFERRED STOCK

Under the Company's amended and restated articles of incorporation, the Company's convertible preferred stock was recorded at fair value as of the date of issuance based on original issue price corroborated by a PWERM analysis (as described in Note 9), net of issuance costs. Outstanding convertible preferred stock as of December 31, 2016 and 2015, consisted of the following:

	As of December 31, 2016			
	Shares		Carrying	Liquidation
	Designated	Outstanding	Values	Preference
Series 1 Convertible Preferred Stock	9,363,187	9,363,187	$ 1,433	$ 18,822
Series 2-A(1) Convertible Preferred Stock	20,781,845			
Series 2-A(2) Convertible Preferred Stock	5,107,484			
Total Series 2-A Convertible Preferred Stock	25,889,329	25,889,329	17,027	25,683
Series 2-B(1) Convertible Preferred Stock	27,709,127			
Series 2-B(2) Convertible Preferred Stock	39,919,846			
Total Series 2-B Convertible Preferred Stock	67,628,973	67,628,973	49,038	112,254
Series 3 Convertible Preferred Stock	80,225,978	78,843,653	71,125	84,863
Series 3-B Convertible Preferred Stock	5,262,373	5,262,373	5,991	16,326
Series 4 Convertible Preferred Stock	67,603,974	67,603,974	73,729	78,405
Total Convertible Preferred Stock	255,973,814	254,591,489	$218,343	$ 336,353

	As of December 31, 2015			
	Shares		Carrying	Liquidation
	Designated	Outstanding	Values	Preference
Series 1 Convertible Preferred Stock	9,363,187	9,363,187	$ 1,433	$ 17,428
Series 2-A(1) Convertible Preferred Stock	20,781,845			
Series 2-A(2) Convertible Preferred Stock	5,107,484			
Total Series 2-A Convertible Preferred Stock	25,889,329	25,889,329	17,027	23,780
Series 2-B(1) Convertible Preferred Stock	27,709,127			
Series 2-B(2) Convertible Preferred Stock	39,919,846			
Total Series 2-B Convertible Preferred Stock	67,628,973	67,628,973	49,038	107,555
Series 3 Convertible Preferred Stock	80,225,978	78,843,653	71,125	78,577
Series 3-B Convertible Preferred Stock	5,262,373	5,262,373	5,991	15,117
Series 4 Convertible Preferred Stock	54,561,791	54,561,791	60,113	59,154
Total Convertible Preferred Stock	242,931,631	241,549,306	$204,727	$ 301,611

During the years ended December 31, 2016 and 2015, there were no changes in the shares outstanding or carrying value of the Series 1, Series 2-A, or Series 2-B Convertible Preferred stock. The following table presents the movements in the shares outstanding and carrying values of the Series 3, Series 3-B and Series 4 convertible preferred stock during the years ended December 31, 2016 and 2015:

	Series 3 Convertible Preferred Stock		Series 3-B Convertible Preferred Stock		Series 4 Convertible Preferred Stock	
	Shares	Amount	Shares	Amount	Shares	Amount
Balance at January 1, 2014	—	$ —	—	$ —	—	$ —
Issuance of preferred stock, net of issuance costs	56,316,891	49,938				
Recognition of tranche liabilities		(3,322)				
Balance at January 1, 2015	56,316,891	$46,616	—	$ —	—	$ —
Issuance of preferred stock, net of issuance costs	22,526,762	19,997	5,262,373	5,991	54,561,791	56,911
Recognition of tranche liabilities		4,512				3,202
Balance at December 31, 2015	78,843,653	$71,125	5,262,373	$5,991	54,561,791	$60,113
Issuance of preferred stock, net of issuance costs					13,042,183	13,616
Balance at December 31, 2016	78,843,653	$71,125	5,262,373	$5,991	67,603,974	$73,729

Series 4 Preferred Stock Financing—In June 2015, pursuant to the Series 4 convertible preferred stock purchase agreement ("Series 4 Purchase Agreement"), the Company agreed to sell up to $67,000 of convertible preferred stock ("Series 4 Preferred Stock") at $1.044687 per share in two closings and an optional third closing. The Company agreed to certain terms and conditions with respect to the issuance of the Series 4 Preferred Stock, including a liquidation preference equal to the original issue price, plus any accrued but unpaid dividends and a liquidation priority over the Series 3, Series 2 and Series 1 Preferred Stock. The first tranche closed in June 2015 for $45,911, net of issuance costs of $89, for 44,032,324 shares of Series 4 Preferred Stock. The second tranche closed in December 2015 for approximately $11,000 for 10,529,467 shares of Series 4 Preferred Stock (issuance costs were not material). The Company also had an option to require one investor to purchase up to an additional $10,000 of Series 4 Preferred Stock at the same price ("Optional Third Closing"), which was exercisable until June 2016. In March 2016, the Company exercised its option for the Optional Third Closing and issued 13,042,183 shares of Series 4 Preferred Stock for proceeds of $13,616 (net of issuance costs of $9), including proceeds from additional investors who chose to participate in the Optional Third Closing.

The Company determined the rights of the investors to purchase shares of Series 4 (the Second Tranche) and the Company's right to require an investor to purchase shares of Series 4 (the Optional Third Closing) met the definition of freestanding financial instruments. Accordingly, the fair value of the rights related to the Second Tranche was recognized as a liability and the fair value of the rights related to the Optional Third Closing was recognized as an asset, with an offsetting net reduction to preferred stock. The Company determined the fair values using a Black-Scholes option-pricing model. The significant assumptions used in the model were:

- the market price, equal to the estimated value of the Company's common stock;
- the exercise price, equal to $1.044687;
- a risk-free rate, determined by reference to yields of U.S. Treasury notes of comparable duration at each measurement date;
- an expected life equal to the estimated time between the measurement date and the expected tranche closing date; and
- an estimated volatility of approximately 72%.

Upon the original issuance of the Series 4 Preferred Stock, the Company recorded $2,662 in tranche assets, which represented the fair value associated with the Optional Third Closing, and $2,043 in tranche liabilities, which represented the fair value associated with Second Tranche. The Company adjusted the carrying values of the tranche obligations to their estimated fair values at each quarter end, with adjustments recorded within other income (expense) in the statements of operations. The Company recognized $1,889 of other expense during 2015 related to the remeasurement of the tranche asset and liability. The tranche liability settled in December 2015 with the closing of the Second Tranche. As of December 31, 2015, the fair value of the tranche asset was $1,313. In connection with the closing of the Optional Third Closing in the first quarter of 2016, the fair value of the tranche asset was re-measured and $1,313 was recorded as other expense.

Series 3 Preferred Stock Financing—In January 2014, pursuant to the Series 3 Convertible Preferred Stock Purchase Agreement, the Company agreed to sell up to $70,000 of Series 3 Convertible Preferred Stock ("Series 3 Preferred Stock") in three closings ("Series 3 Financing"), at $0.887833 per share. The first tranche closed in January 2014 in the amount of $34,940, net of issuance costs of $60, for 39,421,825 shares of Series 3 Convertible Preferred Stock. The second tranche closed in September 2014 in the amount of $14,998, net of issuance costs of $2, for 16,895,066 shares of Series 3 Convertible Preferred Stock. The third tranche closed in March 2015 in the amount of $19,998, net of issuance costs of $3, for 22,526,762 shares of Series 3 Convertible Preferred Stock. The Company agreed to certain terms and conditions with respect to the issuance of the Series 3 Preferred Stock, including a liquidation preference equal to the original issue price, plus any accrued but unpaid dividends and a liquidation priority over the Series 2 and Series 1 Preferred Stock.

The Company determined the right of the investors to purchase shares of Series 3 in future tranches (the second and third closings) met the definition of a freestanding financial instrument and recognized a liability at fair value, with an offsetting reduction to Preferred Stock upon the original issuance of the Series 3 Preferred Stock. The Company determined the fair value of the tranches using a Black-Scholes option-pricing model. The significant assumptions used in the model were:

- the market price, equal to the estimated value of the Company's common stock;
- the exercise price, equal to $0.887833;
- a risk-free rate, determined by reference to yields of U.S. Treasury notes of comparable duration at each measurement date;
- an expected life equal to the estimated time between the measurement date and the expected tranche closing date; and
- an estimated volatility of 50%.

The Company adjusted the carrying value of the tranche obligations to its estimated fair value at each reporting date. Increases or decreases in the fair value of the tranche obligations were recorded within other income (expense) in the statements of operations. The Company recognized $839 of other expense during 2015 related to the remeasurement of the tranche liability. The tranche liability settled in March 2015 with the closing of the third tranche.

Series 3-B Preferred Stock Financing—In connection with the Eurofarma agreements, the Company agreed to issue 5,262,373 shares of Series 3-B Preferred Stock. The agreement, signed in December 2014, required immediate payment for the Series 3-B Preferred Stock. However, the payment for the stock was not received until January 2015, at which time the shares were issued with a carrying value of approximately $6,000 (see Note 3 for further details of the Eurofarma arrangement).

Series 2 Preferred Stock Financing—In November 2012, pursuant to the Series 2 Stock Purchase Agreement, the Company agreed to sell up to $67,500 of Series 2 Convertible Preferred Stock ("Series 2 Preferred Stock") in multiple closings ("Series 2 Financing"), at $0.721784 per share. The first tranche closed in November 2012 in the amount of $17,961, net of issuance costs of $725, for 25,889,329 shares of Series 2-A Convertible Preferred Stock, consisting of 20,781,845 shares of Series 2-A(1) Convertible Preferred Stock (the "Series 2-A(1) Preferred Stock") and 5,107,484 shares of Series 2-A(2) Convertible Preferred Stock (the "Series 2-A(2) Preferred Stock").

In April 2013 and June 2013, pursuant to the Series 2 Stock Purchase Agreement, the Company completed the Tranche 2 Closing in the combined amount of $24,890, net of issuance costs of $23, for 34,516,566 shares of Series 2-B Convertible Preferred Stock, consisting of 27,709,127 shares of Series 2-B(1) Convertible Preferred Stock (the "Series 2-B(1) Preferred Stock") and 6,807,439 shares of Series 2-B(2) Convertible Preferred Stock (the "Series 2-B(2) Preferred Stock"). The shares were sold at a per share price of $0.721784 and have a liquidation preference equal to two times the original issue price, plus any accrued but unpaid dividends. The Company determined the liquidation preference was an embedded feature of the Series 2-B Convertible Preferred Stock and did not require bifurcation.

In August and November 2013, pursuant to the Series 2 Stock Purchase Agreement, the Company completed an additional Permitted Financing in the combined amount of $23,893, net of issuance costs of $7, for 33,112,407 shares of Series 2-B Convertible Preferred Stock, consisting of 27,154,945 shares of Series 2-B(1) Preferred Stock and 5,957,462 shares of Series 2-B(2) Preferred Stock. The shares were sold at a per share price of $0.721784, and have a liquidation preference equal to two times the original issue price, plus any accrued but unpaid dividends.

Series 1 Preferred Stock—In November 2012, immediately prior to the Series 2 Financing, the Company's then outstanding 2009 Notes, 2010 Notes and 2011 Notes were converted into 9,363,187 shares of Series 1 Convertible Preferred Stock ("Series 1 Preferred Stock") in accordance with the original terms provided for in the agreements. At the date of the conversion, the fair value of the Series 1 Preferred Stock was determined to be $1,433 using the PWERM valuation method.

Preferred Stock—The Series 1 Preferred Stock, Series 2 Preferred Stock, Series 3 Preferred Stock, Series 3-B Preferred Stock and Series 4 Preferred Stock (collectively, the "Preferred Stock") have the following rights and privileges:

Dividends—Dividends accrue to holders of the Preferred Stock at the rate of 8%, compounding per annum (on the original issue prices, as defined, of $1.462645 per share of Series 1 Preferred Stock, $0.721784 per share of Series 2 Preferred Stock, $0.887833 per share of Series 3 Preferred Stock, $2.660397 per share of Series 3-B Preferred Stock and $1.044687 per share of Series 4 Preferred Stock). These dividends are cumulative, and accrue to the holders of the Preferred Stock whether or not funds are legally available and whether or not declared by the board of directors. Such dividends are not accrued into the carrying value of the Preferred Stock until such time as 1) a redeemable liquidation event is deemed probable of occurring or 2) such dividends are declared, neither of which has occurred as of December 31, 2016. As of December 31, 2016, cumulative dividends payable to the holders of the Series 1 Preferred Stock, Series 2 Preferred Stock, Series 3 Preferred Stock, Series 3-B Preferred Stock and Series 4 Preferred Stock, but not yet declared, totaled $5,127, $21,623, $14,863, $2,326 and $7,780, respectively.

The holders of the Preferred Stock are also entitled to participate in dividends on common stock, when and if declared by the board of directors, based on the number of shares of common stock held on an if-converted basis. No dividends have been declared by the board of directors from inception through December 31, 2016.

Liquidation Rights—In the event of a liquidation, dissolution, merger, sale, or winding up of the Company, upon issuance, the holders of the Series 4 Preferred Stock are entitled to receive, prior to and in preference to the holders of the Series 3 and Series 3-B Preferred Stock, Series 2 Preferred Stock, the Series 1 Preferred Stock and common stock, an amount equal to $1.044687 per share of Series 4 Preferred Stock, plus any accrued but unpaid dividends. After payment in full of the Series 4 Preferred Stock liquidation preference, the holders of the Series 3 and Series 3-B Preferred Stock are entitled to receive, prior to and in preference to the holders of the Series 2 Preferred Stock, the Series 1 Preferred Stock and common stock, an amount equal to $0.887883 per share of Series 3 Preferred Stock and $2.660397 per share of Series 3-B Preferred Stock (subject to certain antidilutive adjustments), plus any accrued but unpaid dividends. After payment in full of the Series 3 and Series 3-B Preferred Stock liquidation preference, the holders of the Series 2 Preferred Stock are entitled to receive, prior to and in preference to the holders of Series 1 Preferred Stock and common stock, from the assets of the Company available for distribution, (A) in the case of the Series 2-B Convertible Preferred Stock, an amount equal to $0.721784 per share of Series 2-B Convertible Preferred Stock (subject to certain antidilutive adjustments), multiplied by two, plus any accrued but unpaid dividends, and (B) in the case of the Series 2-A Convertible Preferred Stock, an amount equal to $0.721784 per share of Series 2-A Convertible Preferred Stock (subject to certain antidilutive adjustments), plus any accrued but unpaid dividends in order of preference. After payment in full of the Series 2 Preferred Stock liquidation preference, the holders of the Series 1 Preferred Stock are entitled to receive, prior to and in preference to the holders of common stock, from the assets of the Company available for distribution, an amount equal to $1.462645 per share of Series 1 Preferred Stock (subject to certain antidilutive adjustments), plus any accrued but unpaid dividends. Any net assets remaining after the payment of preferential amounts to the holders of Preferred Stock shall be shared ratably by the holders of the Preferred Stock with the common stockholders as if all preferred shares were converted into common stock at the time of the event.

Conversion—At the option of the holders of the Preferred Stock (or automatically in the event of a conversion pursuant to an IPO), shares may be converted to such number of shares of common stock as is determined by dividing the applicable conversion base by the then applicable conversion price. The conversion base for each share of the Preferred Stock shall be the original issue price, as defined (plus, in the event of a conversion pursuant to an IPO, all accrued but unpaid dividends). The Conversion Price of each share of Series 1 Preferred Stock shall initially be $9.615178, of each share of the Series 2-A(1) and Series 2-B(1) Preferred Stock shall initially be $0.620239, of each share of the Series 2-A(2) and Series 2-B(2) Preferred Stock shall initially be $0.721784, of each share of the Series 3 Preferred Stock shall initially be $0.887883, of each share of the Series 3-B Preferred Stock shall initially be $2.660397, and of each share of the Series 4 Preferred Stock shall initially be $1.044687. However, after the issuance of the Series 4 Preferred Stock, the Conversion Price of each share of Series 3-B Preferred Stock as of December 31, 2016 was $2.328332. Upon completion of the Optional Third Closing of Series 4 Preferred Stock in March 2016, the Conversion Price of each share of Series 3-B Preferred Stock was reduced further to $2.268401.

Voting and Other Rights—The Preferred Stock has certain voting rights equivalent to the common stockholders. In addition, the lead investor in the Series 2, 3 and 4 Financings acquired certain stockholder contractual rights to solely control all significant decisions of the Company (including, without limitation, sole control of drag-along rights, financings, recapitalizations, and IPO), in each case not subject to any "blocking rights" of the minority stockholders. The holders of the Series 2 Preferred Stock are entitled to elect four representatives (out of nine) to the board of directors.

NOTE 11 – COMMON STOCK

The Company's certificate of incorporation, as amended, authorizes the Company to issue up to 350,000,000 shares of $0.001 par value common stock. Each share of common stock entitles the holder to one vote on all matters submitted to a vote of the Company's stockholders. Holders of the Company's common stock are not entitled to receive dividends, unless

declared by the board of directors. Any such dividends would be subject to the preferential dividend rights of the holders of the Convertible Preferred Stock. There have been no dividends declared to date. The Company has reserved and keeps available out of its authorized but unissued Common Stock a sufficient number of shares of Common Stock to effect the conversion of all Convertible Preferred Stock and all issued and outstanding warrants and stock options.

NOTE 12 – STOCK-BASED COMPENSATION

2001 Stock Option and Incentive Plan—In 2001, the Company's board of directors adopted the 2001 Stock Option and Incentive Plan ("2001 Plan"). The 2001 Plan provided for the granting of incentive and nonqualified stock options and restricted stock bonus awards to officers, directors, employees, and consultants of the Company. As of December 31, 2016 and 2015, the Company had 210 and 258 shares of common stock, respectively, reserved under the 2001 Plan for issuance upon exercise of stock options. The 2001 Plan was terminated in 2011 and no new awards will be granted under the 2001 Plan, but awards previously granted will continue to be outstanding until they are exercised or expire.

2011 Equity Incentive Plan—In November 2011, the Company's board of directors adopted the 2011 Equity Incentive Plan ("2011 Plan") to replace the 2001 Plan. The 2011 Plan provides for the granting of incentive stock options, nonqualified options, stock grants, and stock-based awards to employees, directors, and consultants of the Company. In April 2014, the Company's board of directors authorized an increase of 17,484,210 shares to be reserved for issuance under the 2011 Plan. In September 2015, the Company's board of directors authorized an additional 5,000,000 shares to be reserved. As of December 31, 2016 and 2015, the Company had 31,071,988 and 31,230,367 shares of common stock, respectively, reserved under the 2011 Plan for issuance upon exercise of stock options.

Stock-Option Activity—The exercise price of each stock option issued under the 2011 Plan is specified by the board of directors at the time of grant, but cannot be less than 100% of the fair market value of the stock on the grant date. In addition, the vesting period is determined by the board of directors at the time of the grant and specified in the applicable option agreement. The Company's practice is to issue new shares upon the exercise of options.

All options granted during the years ended December 31, 2016 and 2015, were granted with exercise prices not less than the fair market value of the Company's common stock on the grant date, as approved by the Company's board of directors.

A summary of the stock-option activity under the 2001 Plan is presented in the table and narrative below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2015	288	$1,224.74	2.6	
Expired	(30)	$1,134.13		
Outstanding as of December 31, 2015	258	$1,235.27	1.9	$ —
Expired	(4)	1,261.72		
Cancelled	(44)	1,417.67		
Outstanding and exercisable as of December 31, 2016	210	$1,196.55	1.2	$ —

A summary of the stock option activity under the 2011 Plan is presented in the table and narrative below:

	Options	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding as of January 1, 2015	22,309,477	$ 0.53	9.1	
Granted	5,942,512	$ 0.84		
Exercised	(934,649)	$ 0.39		$ 449
Canceled/expired	(5,503,158)	$ 0.58		
Outstanding as of December 31, 2015	21,814,182	$ 0.60	8.5	$ 4,655
Granted	6,202,498	$ 0.71		
Exercised	(158,427)	$ 0.41		
Canceled/expired	(1,656,045)	$ 0.77		(2)
Outstanding as of December 31, 2016	26,202,208	$ 0.62	7.9	$ —
Exercisable as of December 31, 2016	14,123,425	$ 0.55	7.3	
Exercisable and expected to vest as of December 31, 2016	26,202,208	$ 0.62	7.9	

The weighted-average grant-date per share fair value of options granted under the 2011 Plan during the years ended December 31, 2016 and 2015 was $0.43 and $0.56, respectively. The weighted-average grant-date per share fair value of options that vested under the 2011 Plan during the years ended December 31, 2016 and 2015 was $0.29 and $0.32, respectively.

Under the 2011 Plan, the Company granted 6,202,498 and 5,942,512 of stock options to employees during the years ended December 31, 2016 and 2015, respectively.

Stock-Based Compensation—The Company uses a Black-Scholes option-pricing model for determining the estimated fair value for stock-based awards. The Black-Scholes option-pricing model requires the use of the subjective assumptions in order to determine the fair value of stock-based awards.

The assumptions used to value stock option grants were as follows:

	For the Years Ended December 31,	
	2016	2015
Risk-free interest rate	1.48%	2.28%
Weighted-average volatility	67.1%	75.0%
Expected term – employee awards (in years)	6.0	6.0
Forefeiture rate	0.00%	7.00%
Dividend yield	—	—

Risk-Free Interest Rate—The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for zero coupon U.S. Treasury notes with maturities approximately equal to the option's expected term.

Weighted-average Volatility—As the Company has been privately held since inception, there is no specific historical or implied volatility information available. Accordingly, the Company determines volatility based on an average of reported volatility of selected peer companies in the pharmaceutical and biotechnology industry in a similar stage of development.

Expected Term—The Company calculates expected term for employee awards using the "simplified" method for "plain vanilla" options, which is the simple average of the vesting period and the contractual term of the option. The Company uses the contractual term as the expected term for nonemployee awards.

Forfeiture Rate—On January 1, 2016, Melinta adopted the guidance in ASU 2016-09, Improvements to Employee Share-Based Payment Accounting, and changed its accounting policy for stock-based compensation to recognize stock option forfeitures as they occur rather than estimating an expected amount of forfeitures.

Expected Dividend Yield—The Company has never declared or paid any cash dividends and does not expect to pay any cash dividends in the foreseeable future.

Stock-based compensation reported in the Company's statements of operations was as follows:

	For the Years Ended December 31,		
	2016	2015	2014
Stock-based compensation expense:			
Research and development	$ 1,169	$ 787	$ 521
General and administrative	1,346	998	853
Total stock-based compensation expense	$ 2,515	$ 1,785	$ 1,374

No related tax benefits associated with stock-based compensation expense has been recognized and no related tax benefits have been realized from the exercise of stock options due to the Company's net operating loss carryforwards.

Total aggregate unrecognized stock-based compensation cost under both the 2001 Plan and the 2011 Plan as of December 31, 2016 and December 31, 2015, net of forfeitures, was $4,703 and $4,832, respectively. The unrecognized stock-based compensation as of December 31, 2016, will be recognized over a weighted-average period of 2.6 years.

NOTE 13 – INCOME TAXES

The tax effects of the temporary differences and net operating losses that give rise to significant portions of deferred tax assets are as follows (in thousands):

	As of December 31,	
	2016	2015
Deferred tax assets:		
Net operating loss carryforwards	$ 106,826	$ 78,833
Tax credit carryforwards	7,386	5,763
Deferred revenue	—	—
Fixed assets	1,051	1,136
Stock compensation expense	2,406	1,434
Licenses	1,008	1,164
Others	144	150
Total deferred tax assets	118,821	88,480
Valuation allowance	(118,821)	(88,480)
Net deferred tax assets	$ —	$ —

The Company has established a full valuation allowance because the Company does not believe that it is more likely than not that it will generate sufficient taxable income to realize the deferred tax assets and, therefore, not recognize any benefits from the net operating losses, tax credits, and other deferred tax assets. For the years ended December 31, 2016 and 2015, the Company's valuation allowance increased by $30,341 and $30,953, respectively.

The Company has determined that its ability to utilize its previously generated federal net operating losses and federal tax credits would be limited under Sections 382 and 383 of the Internal Revenue Code ("Section 382"). The limitations under Section 382 apply if an ownership change, as defined by Section 382, occurs. Generally, an ownership change occurs when certain stockholders increase their aggregated ownership by more than 50 percentage points over their lowest ownership percentage in a testing period (typically three years). The Company determined that it will be subject to Section 382 limitations due to previous ownership changes, specifically associated with its Recapitalization in 2012. In addition, future changes in stock ownership may trigger additional ownership changes and, consequently, additional Section 382 limitations. Due to the significant complexity and cost associated with a change in control study, and the expectation of continuing to incur losses whereby the net operating losses and federal tax credits are not anticipated to be used in the foreseeable future, the Company has not undergone a formal Section 382 study to assess the changes in control since the Company's formation.

As of December 31, 2016, the Company had the following tax net operating loss carryforwards available to reduce future federal and Connecticut taxable income and research and development tax credit carryforwards available to offset future federal and Connecticut income taxes:

	Amount	Expire
Tax net operating loss carryforwards:		
Federal	$278,180	2020-2036
State of Connecticut	275,874	2020-2036
Research and development tax credit carryforwards:		
Federal	$ 6,227	2020-2036
State of Connecticut	1,736	Do not expire

The provision for income taxes differs from income taxes computed at the federal statutory tax rates for the years ended December 31, 2016 and 2015, due to the following items:

	Year Ended December 31,		
	2016	2015	2014
Federal statutory rate	34.0%	34.0%	34.0%
State income taxes, net of federal income tax benefit	5.0	5.0	5.4
State net operating loss limitations	—	—	(17.2)
Change in valuation allowance	(41.0)	(39.3)	(25.3)
Research and development tax credits	2.2	2.3	3.3
Impact of change in fair value of tranche asset and liabilites	(0.3)	(1.3)	—
Other	0.1	(0.7)	(0.2)
Effective income tax rate	0.0%	0.0%	0.0%

ASC 740, *Income Taxes*, prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Only tax positions that meet the more-likely-than-not recognition threshold at the effective date may be recognized.

As of December 31, 2016, the Company did not have any unrecognized tax benefit. To the extent penalties and interest would be assessed on any underpayment of income tax, the Company's policy is that such amounts would be accrued and classified as a component of income tax expense in the financial statements. To date, the Company has not recorded any such interest or penalties.

The Company's primary income tax jurisdictions are the United States, Connecticut and Illinois. As a result of the Company's net operating loss carryforwards, the Company's federal and Connecticut statutes of limitations remain open for all tax years since 2000. The Company does not currently have any federal, Connecticut or Illinois income tax examinations in progress, nor has the Company had any federal, Connecticut or Illinois income tax examinations since inception.

NOTE 14 – STATE TAX EXCHANGE CREDIT

In the state of Connecticut, companies have the opportunity to exchange certain research and development tax credit carryforwards for a cash payment equal to 65% of the research and development tax credit. The research and development expenses that qualify for Connecticut tax credits are limited to those costs incurred within Connecticut. The Company has elected to participate in the exchange program and, as a result, has recognized net benefits of $160, $114 and $275 for the years ended December 31, 2016, 2015 and 2014, respectively. These tax benefits are included in other expense in the accompanying statements of operations.

NOTE 15 – COMMITMENTS AND CONTINGENCIES

Operating Leases—The Company is a lessee under a lease agreement for its principal research facility at 300 George Street, New Haven, Connecticut, that expires in August 2018. The Company is a lessee under a lease agreement for its administrative facility at 300 Tri-State International, Lincolnshire, Illinois, that expires in March 2022. In 2016, the Company exercised an option to lease additional office space in the Lincolnshire, Illinois, location, which will become effective in April 2017.

The terms of the Connecticut lease provide for even rental payments over the life of the lease, and the Company recognizes rent expense on a straight-line basis over the noncancelable lease term. The Company is required to pay its share of operating expenses, and these amounts are not included in rent expense or minimum operating lease payments below.

The terms of the Illinois lease provide for rental payments on a graduated scale, and the Company recognizes rent expense on a straight-line basis over the noncancelable lease term and records the difference between cash rent payments and the recognition of rent expense as a deferred rent liability included in accrued expenses. The Company is required to pay its share of operating expenses, and these amounts are not included in rent expense or minimum operating lease payments below.

Rent expense under operating leases for facilities and equipment was $690 and $688 for the years ended December 31, 2016 and 2015, respectively. As of December 31, 2016, minimum operating lease payments under noncancelable leases (as amended) were as follows:

	Amounts
2017	$ 748
2018	636
2019	253
2020	257
2021	260
Thereafter	132
Total future minimum payments	$ 2,286

License Agreements—In December 2001, the Company entered into an exclusive license agreement with Yale University ("Yale") under which the Company obtained an exclusive right to use certain technology related to the high-resolution X-ray crystal structure of a 50S ribosome through the term of Yale's patent rights on such technology. In return, the Company issued 61 shares of the Company's common stock. The fair value of the shares of $35 was charged to operations in 2001. In September 2004 and December 2009, the license agreement was amended to include additional 50S ribosome technology and 70S ribosome technology owned by Yale, and the Company paid Yale license fees of $15 upon each amendment. The Company uses the licensed technology in its ESKAPE pathogen program. The Company is obligated to certain diligence requirements and has the right to grant sublicenses to third parties, although Yale is entitled to a portion of payments received from the sublicensees. Under the license agreement, the Company may be required to make payments to Yale of up to $900 upon achieving certain regulatory approval milestones for each of the first three products developed under the license. In accordance with the license agreement, Yale is also entitled to receive percentage royalty payments in the single digits based on net sales, if any, of products using the subject matter of the license. Upon the occurrence of certain events, Yale has the right to terminate the license agreement upon 60 days' written notice to the Company, should the Company fail to make a material payment under the agreement, commit a material breach of the agreement, fail to carry insurance required by the agreement, cease to carry on the Company's business, or become subject to bankruptcy or a similar insolvency event. The Company has the right to terminate the license agreement upon 90 days' written notice to Yale. Unless earlier terminated, the agreement will continue in effect until the last of the licensed patents expires.

In March 2005, the Company entered into an exclusive license agreement with the Medical Research Council ("MRC") under which the Company acquired rights to certain patent applications and other intellectual property related to the high-resolution X-ray crystal structure of a 30S ribosome through the term of the MRC's patent rights on such technology. Upon entering into the license agreement, the Company paid the MRC a license fee of $10. The Company uses the licensed technology in its ESKAPE pathogen program. The Company is obligated to certain diligence requirements and has the right to grant sublicenses to third parties. Under the license agreement, the Company may be required to pay the MRC

an aggregate of $610 upon the achievement of specified development and regulatory approval milestones for a pharmaceutical product and $100 for a diagnostic product. In accordance with the license agreement, the MRC is also entitled to receive percentage royalty payments in the single digits based on net sales, if any, of licensed pharmaceutical and diagnostic products. The Company and the MRC have the right to terminate the license agreement upon 30 days' written notice if the other party commits a material breach of the agreement or an insolvency event occurs with respect to the other party, and the MRC may terminate the agreement if the Company challenges the protection of the licensed patent rights and know-how. Unless earlier terminated, the term of the agreement continues until the expiration of the last to expire claim of the licensed patent rights on a country-by-country basis.

In May 2006, the Company and Wakunaga Pharmaceutical Co., Ltd. ("Wakunaga") executed a license agreement under which the Company acquired rights to certain patents, patent applications, and other intellectual property related to Baxdela. To date, the Company has made $5,100 of nonrefundable payments to Wakunaga. Under the license, the Company has the right to grant sublicenses, although Wakunaga is entitled to a substantial portion of nonroyalty income received from a sublicense of the Wakunaga technology. Pursuant to an amendment of the license agreement in November 2012, and later amended in May 2017, the future payments under the license agreement were adjusted. The license agreement, as amended, provides for potential additional future payments of up to $9,000 to Wakunaga upon the achievement of specified development and regulatory milestones, in addition to potential future sales milestone payments, and tiered royalty payments in the single digits on net sales, if any, of the licensed product. Of the $9,000, Melinta paid Wakunaga $1,590 in March 2017 in connection with its license and collaboration agreement with Menarini (see Note 20). Wakunaga has certain termination rights, should the Company fail to perform its obligations under the agreement, the Company becomes subject to bankruptcy or similar events, or the Company's business is transferred or sold and the successor requires the Company to terminate a substantial part of its development activities under the agreement. The Company has the right to terminate the license for cause upon six months' written notice to Wakunaga. Unless earlier terminated, the license agreement will continue in effect on a country-by-country and product-by-product basis until the Company is no longer required to pay any royalties, which is the later of the date the manufacture, use or sale of a licensed product in a country is no longer covered by a valid patent claim, or a specified number of years following the first commercial sale in such country.

In November 2010, the Company entered into a license and supply agreement with CyDex Pharmaceuticals, Inc. (now a wholly owned subsidiary of Ligand Pharmaceuticals Incorporated, both hereafter referred to as Ligand) under which the Company obtained an exclusive right, under certain patents and patent applications, to use Ligand's beta sulfobutyl cyclodextrin, Captisol, in the Company's development and commercialization of a Baxdela product. In addition, under the terms of the license agreement, the Company obtained a nonexclusive license to Ligand's Captisol data package. Upon entering into the license agreement, the Company made a nonrefundable payment of $300 to Ligand. In January 2011, May 2013 and October 2016, the Company made milestone payments to Ligand under the agreement of $150, $500, and $1,500, respectively. The Company is obligated to certain diligence requirements and has the right to grant sublicenses to third parties. The license agreement provides for payments of up to $2,100 to Ligand upon the achievement of future development and commercial milestones, and obligations to make percentage royalty payments in the single digits based on net sales, if any, of the licensed product. Additionally, the Company has agreed to purchase its requirements of Captisol from Ligand for use in a Baxdela product, with pricing established pursuant to a tiered pricing schedule. Ligand has certain rights to terminate the agreement following a cure period, should the Company fail to perform its obligations under the agreement. In addition, Ligand may terminate the agreement immediately if the Company fails to pay milestones or royalties due under the agreement or if the Company becomes subject to bankruptcy or similar events. The Company has the right to terminate the license upon 90 days' written notice to Ligand. Unless earlier terminated, the agreement will continue in effect until the expiration of the Company's obligation to pay royalties. Such obligation expires, on a country-by-country basis, over a specified number of years following the expiration date of the last valid claim of a licensed product in the country of sale; if there has never been a valid claim of a licensed product in the country of sale, then such number of years after the first sale of the licensed product in such country.

In December 2014, the Company entered into a license agreement with a contract research organization ("CRO") for the development and commercialization of Radezolid in topical formulations for a variety of dermatological indications. Melinta retains the option to co-develop or fully regain rights to Radezolid upon completion of specific development milestones. In March 2016 and February 2017, the Company paid milestones totaling $900 and $450, respectively, to the CRO under this license agreement, which was recorded as an expense when paid.

All payments made under these license agreements have been expensed as research and development expenses in the Company's statements of operations.

Contingencies—The Company may become subject to claims and assessments from time to time in the ordinary course of business. Such matters are subject to many uncertainties. The Company accrues liabilities for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. As of December 31, 2016 and 2015, the Company does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

NOTE 16 – BENEFIT PLAN

The Company has a 401(k) Plan in which all of the Company's employees are eligible to participate. Each year, the Company may, but is not required to, make matching contributions to the 401(k) Plan. For the years ended December 31, 2016 and 2015, the Company made matching contributions to the 401(k) Plan of $306 and $288, respectively.

NOTE 17 – RELATED PARTY TRANSACTIONS

The Company uses various software tools in the research and development discovery process. These tools are licensed at market rates from a company owned by Dr. William Jorgensen. Dr. Jorgensen is a founder of the Company and is the spouse of the Company's Chief Scientific Officer. Total fees paid to Dr. Jorgensen's company were $43, $43 and $46 for the years ended December 31, 2016, 2015 and 2014, respectively.

Dr. Thomas Koestler is the Company's Chairman of the Board and is employed by our lead investor. Dr. Koestler received compensation for his role in the amount of $150 for each of the years ended December 31, 2016, 2015 and 2014. In addition, during the year ended December 31, 2015, the Company granted stock options to purchase 795,072 shares with an exercise price of $0.87 and a fair value of $461. The Company did not grant stock options to Mr. Koestler during the year ended December 31, 2016.

In August 2015, the Company entered into a supply and distribution agreement with Malin Life Sciences Holdings Limited ("Malin"), a principal investor of the Company with a more than 5% ownership interest. Pursuant to the terms and conditions of the supply and distribution agreement, Malin or its affiliates are entitled to exclusive rights to obtain product approval, procure supply from the Company and to commercialize Baxdela in Africa and the Middle East. In connection with the supply and distribution agreement, the Company is entitled to receive a royalty percentage of net sales of Baxdela. No upfront payments were received or paid in connection with this agreement.

In 2016, the Company issued Convertible Promissory Notes to certain of its investors. See Note 5 for discussion of these notes.

NOTE 18 – SELECTED UNAUDITED QUARTERLY RESULTS OF OPERATIONS

The table presented below is a summary of quarterly data for the years ended December 31, 2016 and 2015.

(in thousands except per share amounts)

2016	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Full Year
Research and development expenses	$13,754	$ 9,847	$ 9,888	$16,302	$49,791
General and administrative expenses	5,759	4,951	4,114	4,586	19,410
Total Other Expense, Net	1,802	771	664	1,494	4,731
Net Loss	$21,315	$15,569	$14,666	$22,382	$73,932
Basic Net Loss Per Share*(1)*	$ 26.35	$ 20.84	$ 19.94	$ 27.17	$ 94.29
2015					
Research and development expenses	$13,527	$14,769	$17,977	$16,515	$62,788
General and administrative expenses	3,235	3,180	4,160	3,584	14,159
Total Other (Income) Expense, Net	1,342	616	3,276	(3,505)	1,729
Net Loss	$18,104	$18,565	$25,413	$16,594	$78,676
Basic Net Loss Per Share*(1)*	$309.96	$324.30	$434.20	$ 50.00	$600.78

(1) The sum of the four quarters is not necessarily the same as the total for the year

NOTE 19 – NET LOSS PER SHARE

Basic net loss attributable to common stockholders per share is computed by dividing the net loss attributable to common stockholders by the weighted-average number of common shares outstanding for the period. During periods where the Company might earn net income, the Company would allocate to participating securities a proportional share of net income determined by dividing total weighted-average participating securities by the sum of the total weighted-average common shares and participating securities (the "two-class method"). The Company's preferred stock participates in any dividends declared by the Company and are therefore considered to be participating securities. Participating securities have the effect of diluting both basic and diluted earnings per share during periods of income. During periods where the Company incurred net losses, the Company allocates no loss to participating securities because they have no contractual obligation to share in the losses of the Company. The Company computes diluted loss per common share after giving consideration to the dilutive effect of stock options and warrants that are outstanding during the period, except where such nonparticipating securities would be antidilutive. Because the Company has reported net losses for the years ended December 31, 2016, 2015 and 2014, diluted net loss per common share is the same as basic net loss per common share for those periods.

The following potentially dilutive securities (in common stock equivalent shares) have been excluded from the computation of diluted weighted-average shares outstanding because such securities have an antidilutive impact due to losses reported:

	Years Ended December 31,		
	2016	2015	2014
Options to purchase common stock	26,202,418	21,814,440	22,309,765
Preferred stock warrants	1,382,323	1,382,323	1,151,936
Common stock warrants	2,058	2,058	2,058
Convertible preferred stock	254,591,489	241,549,306	159,198,380

NOTE 20 – SUBSEQUENT EVENTS

In connection with the Company's initial publication of the December 31, 2016, financial statements, the Company evaluated subsequent events through May 10, 2017, the date these financial statements were available to be issued.

In connection with the Company's reissuance of its financial statements in this Current Report on Form 8-K, the Company has updated such evaluation for disclosure purposes through December 5, 2017, the date on which the retrospectively revised December 31, 2016, financial statements were reissued (as to the segment information, loss per share information and quarterly results).

In February 2017, the Company executed a license and collaboration agreement with A. Menarini Industrie Farmaceutiche Riunite S.r.l. ("Menarini"), a leading pharmaceutical company in western Europe, under which we licensed rights to commercialize Baxdela in certain European, Asia-Pacific and other rest-of-world territories. Pursuant to the terms and conditions of the arrangement, Menarini is entitled to exclusive rights to obtain product approval, procure supply from the Company and to commercialize Baxdela in the licensed territories, and the Company is entitled to commercial milestones and to receive a royalty percentage of net sales of Baxdela. In addition, Menarini and the Company agreed to share jointly in the future development cost of Baxdela. In connection with this arrangement, we received $19.9 million upfront, and going forward, we will receive reimbursement for 50% of the costs incurred for efforts to expand the applicable indications for Baxdela. We are currently evaluating the revenue recognition related to the consideration under this arrangement. In connection with this license and collaboration with Menarini, the Company paid Wakunaga $1,590, which was credited toward the Company's future payment obligations (see Note 15).

Any other significant events that occurred after December 31, 2016, are disclosed elsewhere in these financial statements and are identified as subsequent events.

Exhibit 99.2

MELINTA THERAPEUTICS, INC.

INDEX TO UNAUDITED FINANCIAL STATEMENTS

For the Three and Nine Months Ended September 30, 2017

MELINTA THERAPEUTICS, INC.

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(In thousands, except share data)

	September 30, 2017	December 31, 2016
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,193	$ 11,409
Receivables	7,525	454
Inventory	5,997	—
Prepaid expenses and other current assets	2,304	3,226
Total current assets	28,019	15,089
Property and equipment, net	1,538	1,101
Restricted cash	200	—
Intangible assets	7,500	—
Other assets	903	444
TOTAL ASSETS	$ 38,160	$ 16,634
LIABILITIES AND STOCKHOLDERS' DEFICIT		
CURRENT LIABILITIES:		
Accounts payable	$ 12,443	$ 5,136
Accrued expenses	16,310	6,360
Notes payable, current portion	—	11,075
Accrued interest on note payable	275	174
Preferred stock warrants	339	674
Total current liabilities	29,367	23,419
LONG-TERM LIABILITIES:		
Notes payable, net of current	38,887	12,647
Convertible promissory notes (See Note 3)	73,101	45,127
Deferred revenues	10,008	9,008
Accrued notes payable exit fee	319	1,050
Other long-term liabilities	—	491
Total long-term liabilities	122,315	68,323
COMMITMENTS AND CONTINGENCIES		
CONVERTIBLE PREFERRED STOCK:		
Total convertible preferred stock (See Note 6)	217,220	218,343
STOCKHOLDERS' DEFICIT:		
Common stock, $0.001 par value; 350,000,000 shares authorized; 1,161,583 and 1,291,526 shares issued and outstanding at December 31, 2016 and September 30, 2017, respectively	1	1
Additional paid-in capital	223,137	220,291
Accumulated deficit	(553,880)	(513,743)
Total stockholders' deficit	(330,742)	(293,451)
TOTAL LIABILITIES, CONVERTIBLE PREFERRED STOCK AND STOCKHOLDERS' DEFICIT	$ 38,160	$ 16,634

The accompanying notes are an integral part of these condensed consolidated financial statements.

MELINTA THERAPEUTICS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
REVENUE:				
License	$ —	$ —	$ 19,905	$ —
Contract research	3,191	—	9,728	—
Total revenue	$ 3,191	$ —	$ 29,633	$ —
OPERATING EXPENSES:				
Research and development	10,884	9,888	37,876	33,489
Selling, general and administrative	10,304	4,114	25,976	14,824
Total operating expenses	21,188	14,002	63,852	48,313
Loss from operations	(17,997)	(14,002)	(34,219)	(48,313)
OTHER INCOME (EXPENSE), NET:				
Interest income	7	7	25	24
Interest expense	(2,381)	(1,156)	(5,765)	(2,928)
Loss on early extinguishment of debt	—	—	(607)	—
Change in fair value of tranche assets and liabilities	—	—	—	(1,313)
Change in fair value of warrant liability	701	436	335	845
Other income	34	49	95	135
Total other expense, net	(1,639)	(664)	(5,917)	(3,237)
NET LOSS	$ (19,636)	$ (14,666)	$ (40,136)	$ (51,550)
Accretion of convertible preferred stock dividends	(5,720)	(5,335)	(17,161)	(15,782)
Net loss attributable to common stockholders	$ (25,356)	$ (20,001)	$ (57,297)	$ (67,332)
Net loss per share attributable to common stockholders, basic and diluted	$ (19.63)	$ (19.94)	$ (45.26)	$ (67.13)
Weighted-average shares, basic and diluted	1,292	1,003	1,266	1,003

The accompanying notes are an integral part of these condensed consolidated financial statements.

MELINTA THERAPEUTICS, INC.

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	Nine Months Ended September 30,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$ (40,136)	$ (51,550)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation expense	368	380
Change in fair value of tranche assets and liabilities	—	1,313
Loss on early extinguishment of debt	607	—
Non-cash interest expense	4,174	1,069
Stock-based compensation	1,628	1,851
Change in fair value of warrant liability	(335)	(845)
Loss on disposal of assets	14	—
Write-off of deferred equity financing costs	—	969
Changes in operating assets and liabilities:		
Tax credit receivable	35	82
Other receivables	(7,106)	(11)
Inventory	(5,997)	—
Prepaid expenses and other current assets	922	(1,611)
Accrued interest on notes payable	101	—
Accounts payable	7,303	1,192
Accrued expenses	4,278	(1,372)
Deferred revenues	1,000	—
Other non-current assets and liabilities	(459)	615
Net cash used in operating activities	(33,603)	(47,918)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(791)	(444)
Purchases of intangible assets	(3,500)	—
Net cash used in investing activities	(4,291)	(444)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the issuance of convertible preferred stock	—	13,625
Payment of preferred stock issuance costs	—	(9)
Proceeds from the issuance of notes payable	40,000	—
Proceeds from the issuance of convertible notes payable	24,526	27,845
Proceeds from the exercise of stock options	95	—
Repayment of notes payable	(24,503)	(2,717)
Fees paid upon repayment of notes payable	(1,240)	—
Net cash provided by financing activities	38,878	38,744
NET INCREASE (DECREASE) IN CASH, CASH EQUIVALENTS AND RESTRICTED CASH	984	(9,618)
CASH, CASH EQUIVALENTS AND RESTRICED CASH, beginning of the year	11,409	30,158
CASH, CASH EQUIVALENTS AND RESTRICTED CASH, end of the period	$ 12,393	$ 20,540
Supplemental cash flow information:		
Cash paid for interest	$ 1,376	$ 1,852
Cash received from exchange of state tax credits	$ 142	$ 207
Supplemental non-cash flow information:		
Accrued purchases of intangible assets	$ 4,000	$ —
Accrued purchases of fixed assets	$ 15	$ 14
Accrued notes payable issuance costs	$ 1,156	$ —

The accompanying notes are an integral part of these condensed consolidated financial statements.

NOTE 1 – BASIS OF PRESENTATION AND SIGNIFICANT ACCOUNTING POLICIES

Melinta Therapeutics, Inc. (the "Company" or "Melinta"), a Delaware corporation, was formed in October 2000. Melinta is a commercial-stage biopharmaceutical company developing new antibiotics to overcome drug-resistant, life-threating infections. The Company has a commercially ready product, Baxdela®, which is being advanced for acute bacterial skin and skin structure infections ("ABSSSI") and other serious infections. The Company also has a proprietary drug discovery platform, enabling a unique understanding of how antibiotics combat infection and has generated a pipeline spanning multiple phases of research and clinical development. In June 2017, Melinta received approval from the U.S. Food and Drug Administration ("FDA") to sell Baxdela for the treatment of adults with ABSSSI.

On August 8, 2017, Melinta entered into a definitive agreement to merge with a subsidiary of Cempra, Inc. ("Cempra") in an all-stock transaction (the "Merger"). The Merger closed on November 3, 2017. In connection with the closing of the Merger, Cempra issued shares of Cempra common stock to Melinta's former stockholders such that Melinta's former stockholders now own approximately 52% of the combined company, and the Cempra stockholders own approximately 48% of the combined company. Upon closing, the combined company was renamed Melinta Therapeutics, Inc. See Note 12 for additional discussion of the Merger.

These unaudited condensed consolidated financial statements are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). In accordance with U.S. GAAP requirements for interim financial statements, these condensed consolidated financial statements do not include certain information and note disclosures that are normally included in annual financial statements prepared in conformity with U.S. GAAP. Accordingly, these condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements as of December 31, 2016 and 2015, and for the years ended December 31, 2016, 2015 and 2014, and the notes thereto filed with the SEC on Form 8-K on December 5, 2017 ("2016 Annual Report"). In the opinion of the Company, the condensed consolidated financial statements contain all adjustments (which are of a normal, recurring nature) necessary to present fairly, in all material respects, the financial position as of September 30, 2017, and the results of operations and cash flows for the three and nine months ended September 30, 2017 and 2016, in conformity with U.S. GAAP. Interim results may not be indicative of results that may be realized for the full year.

The Company has incurred losses from operations since its inception and had an accumulated deficit of $553,880 as of September 30, 2017. In addition, at September 30, 2017, the Company had $73,101 of outstanding convertible promissory notes, including accrued interest, and $40,000 of outstanding principal balance of notes payable. The Company expects to incur substantial expenses and further losses in the foreseeable future for the research, development, and commercialization of its product candidates. These conditions raise substantial doubt about the Company's ability to continue as a going concern. And while Melinta had an excess of $155,000 cash on hand at the closing of the Merger, the Company will need to fund its operations through public or private equity offerings, debt financings, or corporate collaborations and licensing arrangements. There can be no assurance that the Company will be able to raise the capital it requires on favorable terms, in sufficient amounts or at all. The accompanying financial statements have been prepared on a going-concern basis and do not include any adjustments that might result from the outcome of these uncertainties. During the nine months ended September 30, 2017, the Company raised $84,525 through equity and debt financing and licensing activities. Of that, $40,000 was a new debt arrangement that replaced the debt arrangement in place at December 31, 2016. See Note 3 for additional discussion.

Significant Accounting Policies

Revenue Recognition—The Company recognizes revenue under Accounting Standards Codification ("ASC") 605, *Revenue Recognition*. In Note 2 to the Company's audited consolidated financial statements for the year ended December 31, 2016, the

Company disclosed that it was expecting to adopt Accounting Standards Update 2014-09, *Revenue From Contracts With Customers, as amended* ("ASU 2014-09"), as of January 1, 2017. Subsequent to the issuance of those financial statements, the Company amended its planned adoption date for ASU 2014-09 to January 1, 2018 to align the adoption date of ASU 2014-09 with that of Cempra.

The Company's revenue arrangements consist of licensing and collaboration revenue related to non-refundable upfront fees, reimbursement of research and development expenses, milestone payments and royalties on future product sales by the licensee. Revenue is recognized when the following criteria are met: (1) persuasive evidence that an arrangement exists; (2) delivery of the products and/or services has occurred; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured.

For arrangements that involve the delivery of more than one element, each product, service and/or right to use assets is evaluated to determine whether it qualifies as a separate unit of accounting. This determination is based on whether the deliverable has "stand-alone value" to the customer. The consideration that is fixed or determinable is then allocated to each separate unit of accounting based on the relative selling prices of each deliverable. The consideration allocated to each unit of accounting is recognized as the related goods and services are delivered, limited to the consideration that is not contingent upon future deliverables. When an arrangement is accounted for as a single unit of accounting, the Company determines the period over which the performance obligations will be performed and revenue recognized.

Milestone payments are recognized when earned, provided that the milestone event is substantive and there is no ongoing performance obligation related to the achievement of the milestone earned. Milestone payments are considered substantive if all of the following conditions are met: the milestone payment is non-refundable; achievement of the milestone was not reasonably assured at the inception of the arrangement; substantive effort is involved to achieve the milestone; and the amount of the milestone appears reasonable in relation to the effort expended, the other milestones in the arrangement, and the related risk associated with the achievement of the milestone. Contingent-based payments the Company may receive under a license agreement will be recognized when received.

See Note 8 for discussion related to revenue recognized under the Company's licensing agreement signed in 2017.

The Company plans to adopt the guidance in Accounting Standards Update ("ASU") 2014-09, *Revenue From Contracts With Customers*, on January 1, 2018, using the modified retrospective method. This pronouncement outlines a single comprehensive model to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance. The core principle of the guidance is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or
services. To date, the Company has (1) performed an initial assessment of the its revenue streams; (2) substantially completed its inventory of all outstanding contracts; and (3) begun the process of applying the five-step model to those revenue streams and contracts to evaluate the quantitative and qualitative impacts the new statement will have on its business and reported revenues.

Restricted Cash—In November 2016, the FASB issued ASU 2016-18, *Restricted Cash*, which clarifies guidance on the classification and presentation of restricted cash in the statement of cash flows. The ASU states that an entity (1) should include amounts deemed to be restricted cash in its cash and cash-equivalent balances in the statement of cash flows; (2) should present a reconciliation between the statement of financial position and statement of cash flows when the statement of financial position includes more than one line item for cash or cash equivalents; (3) must not present changes in restricted cash that result from transfers between unrestricted and restricted cash as cash flow activities in the statement of cash flows; and (4) must disclose information about material amounts of restricted cash. ASU 2016-18 is effective for public entities for fiscal years beginning after December 15, 2017, including interim periods, but allows for early adoption. The Company adopted this guidance as of January 1, 2017. Prior to 2017, the Company did not have any restricted cash balances. Accordingly, there was no retrospective impact from the adoption of this standard.

Inventory—Inventory is stated at the lower of cost or estimated net realizable value. The Company currently uses actual costing to determine the cost basis for its inventory. Inventory is valued on a first-in, first-out basis and consists primarily of third-party manufacturing costs, overhead and related transportation costs. The Company capitalizes inventory costs associated with its products upon regulatory approval when, based on management's judgment, future commercialization is considered probable and the future economic benefit is expected to be realized; otherwise, such costs are expensed. The company reviews inventories on hand at least quarterly and records provisions for estimated excess, slow-moving and obsolete inventory, as well as inventory with a carrying value in excess of net realizable value.

As of September 30, 2017, inventory on the Company's balance sheet represented the cost of certain raw material and work-in-process inventory that the Company incurred after the FDA approval of Baxdela on June 19, 2017. At September 30, 2017, the Company had incurred other costs for manufacturing this inventory; however, such costs were incurred prior to the FDA approval of Baxdela and, therefore, were recognized as research and development expense in earlier periods. Consequently, profit margins reported from the initial sales of Baxdela will not be representative of margins the Company expects to achieve after the first commercial batches of inventory are consumed. Costs of drug product to be consumed in any current or future trials will continue to be recognized as research and development expense.

Intangible Assets— The Company's intangible assets consisted of intellectual property rights acquired for currently approved products ("amortized intangibles"). All of the Company's intangible assets were recorded in connection with post-approval milestones payable under the Company's license agreements. The Company amortizes these intangible assets over their estimated useful lives, which correlates with the period of time over which the intangible assets are estimated to contribute to future cash flows. The Company amortizes finite-lived intangible assets using the straight-line method.

Industry Segment and Geographic Information—The Company operates in a single industry segment—the discovery and development of antibiotics for the treatment of drug-resistant, life threatening infections. The Company had no foreign-based operations during any of the periods presented. Although all of the revenue reported for the three and nine months ended September 30, 2017, was generated from an agreement with one company that is domiciled in Italy, Melinta did not operate in Italy, nor do we have any significant assets there. The contract research revenue was reimbursement for US-based research activities. See Note 8 for further discussion of the license and contract research revenue.

Business Combinations—In January 2017, the FASB issued ASU 2017-01, *Business Combinations (Topic 805) Clarifying the Definition of a Business*, which narrows the definition of a business and requires an entity to evaluate if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets, which would not constitute the acquisition of a business. The guidance also requires a business to include at least one substantive process and
narrows the definition of outputs. This guidance is effective for fiscal years beginning after December 15, 2017, and interim periods within those fiscal years, with early adoption permitted. The Company will adopt this guidance as of January 1, 2018. We do not expect the adoption will have a material impact on our condensed consolidated financial statements.

NOTE 2 – BALANCE SHEET COMPONENTS

Cash, Cash Equivalents and Restricted Cash—Cash, cash equivalents and restricted cash, as presented on the Statement of Cash Flows, consisted of the following (we did not have any restricted cash at September 30, 2016):

	September 30, 2017	December 31, 2016
Cash and cash equivalents	$ 12,193	$ 11,409
Restricted cash	200	—
Total cash, cash equivalents and restricted cash shown in the Statement of Cash Flows	$ 12,393	$ 11,409

Prepaid and Other Current Assets—Prepaid and other current assets consisted of the following:

	September 30, 2017	December 31, 2016
Prepaid contracted services	$ 1,423	$ 2,483
Other prepaid expenses	881	743
Total prepaid and other current assets	$ 2,304	$ 3,226

Inventory—Inventory consisted of the following:

	September 30, 2017	December 31, 2016
Raw materials	$ 2,432	$ —
Work in process	3,565	—
Total inventory	$ 5,997	$ —

Property and Equipment, Net—Property and equipment, net consisted of the following:

	September 30, 2017	December 31, 2016
Laboratory equipment	$ 3,332	$ 3,332
Office equipment	575	434
Purchased software	860	932
Furniture and fixtures	390	219
Leasehold improvements	4,869	4,588
Assets in development	370	166
Gross property and equipment	10,396	9,671
Less-accumulated depreciation	(8,858)	(8,570)
Property and equipment, net	$ 1,538	$ 1,101

Depreciation expense relating to property and equipment was $113 and $125 for the three months ended September 30, 2017 and 2016, respectively, and $368 and $380 for the nine months ended September 30, 2017 and 2016, respectively.

Accrued Expenses—Accrued expenses consisted of the following:

	September 30, 2017	December 31, 2016
Accrued contracted services	$ 4,616	$ 2,564
Payroll related expenses	2,572	1,825
Professional fees	479	1,540
Accrued license milestone payments	4,000	—
Accrued other expenses	4,643	431
Total accrued expenses	$ 16,310	$ 6,360

Accrued contracted services are primarily composed of amounts owed to third-party clinical research organizations and contract manufacturers for research and development work performed on behalf of the Company. Accrued other expenses are primarily legal and other professional fees associated with the Merger.

Accrued expenses represent the Company's best estimate of amounts owed through period-end, based on all information available. Such estimates are subject to change as additional information becomes available.

NOTE 3 – NOTES PAYABLE

The Company's outstanding debt balances consisted of the following:

	September 30, 2017	December 31, 2016
Principal balance	$ 40,000	$ 24,502
Debt discount and deferred financing costs	(1,113)	(780)
Net balance	38,887	23,722
Less: current maturities, including deferred financing costs and debt discount	—	(11,075)
Long-term balance	38,887	12,647
Principal outstanding under Convertible Promissory Notes	68,636	44,111
Interest outstanding under Convertible Promissory Notes	4,465	1,016
Total Convertible Promissory Notes	73,101	45,127
Total long-term debt, net of current maturities	$ 111,988	$ 57,774

2014 Loan Agreement

In December 2014, the Company entered into the 2014 Loan Agreement with a lender pursuant to which it borrowed an initial term loan amount of $20,000. In December 2015, pursuant to the achievement of certain milestones with respect to the terms in the 2014 Loan Agreement, the Company borrowed an additional term loan advance in the amount of $10,000.

The Company was obligated to make monthly payments in arrears of interest only, at a rate of the greater of 8.25% or the sum of 8.25% plus the prime rate minus 4.5% per annum, commencing on January 1, 2015, and continuing on the first day of each successive month thereafter through and including June 1, 2016. Commencing on July 1, 2016, and continuing on the first day of each month through and including June 1, 2018, the Company was to make consecutive equal monthly payments of principal and interest. All unpaid principal and accrued and unpaid interest with respect to the 2014 Loan Agreement were to be due and payable in full on June 1, 2018.

The loan was collateralized by substantially all of the Company's assets, excluding its intellectual property. In connection with the 2014 Loan Agreement, the Company entered into a negative pledge arrangement in which the Company has agreed not to encumber its intellectual property. The Company paid a $195 facility fee at the inception of the loan, which was recorded as debt discount and was being recognized as additional interest expense over the term of the loan. Subject to certain limited exceptions, amounts prepaid in relation to the 2014 Loan Agreement were subject to a prepayment fee on the then outstanding balance of 3% in the first year, 2% in the second year, and 1% thereafter. In addition, upon repayment of the total amounts borrowed, the Company was required to pay an exit fee equal to 3.5% of the total of the amount borrowed. The amount of the exit fee was $1,050 as of both December 31, 2016 and 2015, and was recorded as a debt discount and included in non-current liabilities. The accrued exit fee was amortized as a non-cash component of interest expense over the term of the loan.

Under the terms of the 2014 Loan Agreement, the Company was subject to operational covenants, including limitations on the Company's ability to incur liens or additional debt, pay dividends, redeem stock, make specified investments and engage in merger, consolidation or asset sale transactions, among other restrictions. The Company was subject to a covenant that required specified minimum levels of liquidity, which commenced July 1, 2015 and was initially $13,000, subject to reduction or termination upon the achievement of certain milestones. In April 2016, the minimum liquidity financial covenant was reduced to $5,000, and in December 2016, it was eliminated altogether.

2017 Loan Agreement

On May 2, 2017, the Company entered into a Loan and Security Agreement with a new lender (the "2017 Loan Agreement"). Under the 2017 Loan Agreement, the lender has made available to the Company up to $80,000 in debt financing and up to

$10,000 in equity financing. The Company is eligible for up to four tranches of debt, each under a separate promissory note, of $30,000, $10,000, $20,000 and $20,000. No amounts under any of the tranches were available to the Company until after the New Drug Application ("NDA") approval of Baxdela, on June 19, 2017. In addition, the availability of the third tranche is subject to the modification of certain of the Company's license agreements to ensure the new lender's rights under the 2017 Loan Agreement (the "License Modification"). The Company has not yet attained the License Modification, and it can give no assurances it will actually occur. Subject to the contingencies referenced previously, after the funding of the first tranche of $30,000, the Company has the right to draw the second and third tranches through the earlier of the 18-month anniversary of the funding of the first tranche and December 31, 2018. In addition to the NDA approval and License Modification, the fourth tranche is available only upon the successful achievement of certain sales milestones on or prior to September 30, 2019 (such sales milestones can be extended to December 31, 2019, if certain conditions are met). Each note has its own maturity date of seven years after the respective promissory note's funding date.

The 2017 Loan Agreement bears an annual interest rate equal to the greater of 8.25% or the sum of 8.25% plus the prime rate minus 4.5%. The Company is also required to pay the lender an end of term fee upon the termination of the arrangement. If the outstanding principal is at or below $40,000, the 2017 Loan Agreement requires interest-only monthly payments for 18 months from the funding of the first tranche, at which time the Company has the option to pay the principal due or convert the outstanding loan to an interest plus royalty-bearing note. If, at any time, the principal exceeds $40,000 under the 2017 Loan Agreement, the promissory notes automatically convert to an interest plus royalty arrangement. Under this arrangement, the lender will receive a royalty, based on net sales, of between 1.02% and 2.72% depending on the balance of notes outstanding. Specifically, the royalty is 1.02% for the first tranche, 0.34% for the second tranche, 0.68% for the third tranche and 0.68% for the fourth tranche. These additional payments will be applied to either accrued interest or principal based on stated rates of return that vary with time. The principal for each note must be repaid by the seventh anniversary of the respective promissory note, along with end-of-term fees that vary with time. There are no financial covenants under the agreement; however, the Company is obligated to provide certain financial information each month, quarter and fiscal year. The loan is collateralized by substantially all of the Company's assets.

Under the terms of the 2017 Loan Agreement, the lender has the right to participate in future debt or equity financings of the Company totaling $10,000. The lender committed to $5,000 of this investment upon the funding of the first loan advance, in the form of any other debt or equity securities issued by the Company on or prior to the funding of the first tranche of the 2017 Loan Agreement.

On June 28, 2017, the Company drew the first tranche of financing under the 2017 Loan Agreement, the gross proceeds of which were $30,000. The Company used the proceeds to retire a loan entered into in 2014, including payment of outstanding principal and a $1,050 exit fee. In connection with the retirement of the 2014 Loan Agreement, the Company recognized $607 as a loss on the extinguishment of debt, which was comprised of unamortized debt discounts of $417 and prepayment penalties and fees of $190. Net proceeds under the 2017 Loan Agreement were $9,995 after the retirement of the 2014 Loan Agreement (including the exit fee) and other debt settlement fees of $190. In August 2017, Melinta drew the second tranche of financing, receiving $10,000. As of September 30, 2017, the $40,000 was recorded as a long-term note payable, offset by debt issuance costs. The Company is amortizing the debt issuance costs of $1,156 over the seven-year term of the first tranche. In addition, the Company is accreting the $1,750 end-of-term fee as additional interest expense over the period between the draw of the tranches and December 27, 2018; this end-of-term fee would become due if the Company were to repay the total outstanding balance under the 2017 Loan Agreement prior to its conversion into an interest plus royalty-bearing note. On June 30, 2017, the Company received the committed $5,000 investment and issued a Convertible Promissory Note to the Company's lender under the terms of the May 2017 Notes (discussed above).

In September 2017, Melinta entered into an amendment to the 2017 Loan Agreement (the "Amendment") to allow for a short-term bridge option for the $20,000 third tranche of the financing arrangement. Under the Amendment, Melinta may draw the third tranche in multiple installments of either $5,000 or $10,000. If Melinta draws and repays amounts under the third tranche by

December 31, 2017, the third tranche again becomes available under the original terms of the 2017 Loan Agreement. If the Company does not repay the amounts drawn under the third tranche before December 31, 2017, then all outstanding instruments under the 2017 Loan Agreement may convert into the interest plus royalty arrangement. The Amendment was conditional on Melinta being a private company; the Merger effectively canceled the Amendment. As of December 5, 2017, the Company had not drawn any amounts under the Amendment.

Convertible Promissory Notes

In July 2016, the Company entered into an agreement with certain of its investors to issue $20,000 in Convertible Promissory Notes (the "July Notes"), under which it issued $10,000 in July 2016 and $10,000 in August 2016. In September 2016, the Company entered into an additional agreement with these investors to issue an additional $19,990 in Notes (the "September Notes"), under which it issued $7,845 in September 2016, $2,150 in October and $9,995 in November 2016.

Both the July Notes and the September Notes (collectively, "the Notes"), are unsecured and subordinated in right of payment to the 2014 Loan Agreement and bear an annual interest rate of 8%. Under the terms of the Notes, if the Company completes a preferred stock or common stock financing prior to June 2, 2018, all outstanding principal and accrued interest will automatically convert into shares of the stock issued in the financing based on the price per share of the financing. If the Company does not complete an equity financing prior to June 2, 2018, the note holders have the right to demand repayment of principal and accrued interest or convert all outstanding principal and accrued interest into shares of Series 4 preferred stock at the Series 4 preferred stock price per share of $1.044687. In addition, the September Notes include the right, at the discretion of the investors, to purchase, at fair value, certain assets of the Company using some or all of the September Notes, and other compensation, to complete the purchase.

In January 2017, the Company entered into an agreement with certain investors to issue an additional $18,194 in Convertible Promissory Notes (the "January 2017 Notes"). The January 2017 Notes are unsecured and subordinated in right of payment to the 2017 Loan Agreement and bear an annual interest rate of 8%. The terms of the January 2017 Notes are similar to those of notes previously issued in 2016; however, in the event of an IPO (the definition of which includes a reverse merger), the January 2017 Notes will convert to common shares at a discount of up to 15% of the IPO price. The Company received advanced funding of $4,120 related to the January 2017 Notes in December 2016, and it received $1,945, $6,065 and $6,065 in January 2017, February 2017 and April 2017, respectively.

In May 2017, the Company entered into a new agreement with certain investors to issue additional Convertible Promissory Notes up to $16,353 (the "May 2017 Notes"). The May 2017 Notes are unsecured and subordinated in right of payment to the 2017 Loan Agreement and bear an annual interest rate of 8%. The terms of the May 2017 Notes are similar to those of the January 2017 Notes, including, in the event of an IPO (the definition of which includes a reverse merger), the May 2017 Notes will convert to common shares at a discount of up to 15% of the IPO price. The Company received $5,451 in May 2017 under these notes. The Company also received $5,000 for a Convertible Promissory Note issued under the 2017 Loan Agreement.

On November 3, 2017, in connection with the Merger, all of the Convertible Promissory Notes, with accumulated interest, were exchanged for 3,766,311 shares of Cempra common stock.

NOTE 4 – INTEREST EXPENSE

Interest expense for the three and nine months ended September 30, 2017 and 2016, consisted of the following:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Cash interest expense	$ 705	$ 605	$ 1,591	$ 1,859
Noncash interest expense	1,676	551	4,174	1,069
Total interest expense	$ 2,381	$ 1,156	$ 5,765	$ 2,928

NOTE 5 – FAIR VALUE MEASUREMENTS

The provisions of the accounting standard for fair value define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The transaction of selling an asset or transferring a liability is a hypothetical transaction at the measurement date, considered from the perspective of a market participant who holds the asset or owes the liability. Therefore, the objective of a fair value measurement is to determine the price that would be received when selling an asset or paid to transfer a liability (an exit price) at the measurement date. This standard classifies the inputs used to measure fair value into the following hierarchy:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities.

Level 2—Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability.

Level 3—Unobservable inputs for the asset or liability.

The following table lists the Company's assets and liabilities that are measured at fair value and the level of inputs used to measure their fair value at September 30, 2017.

	As of September 30, 2017			
	Level 1	Level 2	Level 3	Total
Assets:				
Money market fund	$1,815	$ —	$ —	$1,815
Total assets at fair value	$1,815	$ —	$ —	$1,815
Liabilities:				
Preferred stock warrants	$ —	$ —	$ 339	$ 339
Total liabilities at fair value	$ —	$ —	$ 339	$ 339

The preferred stock warrants were valued using a Black-Scholes option-pricing model and Level 3 unobservable inputs. The significant unobservable inputs include the value of the Company's convertible preferred stock, the risk-free interest rate, remaining contractual term, and expected volatility. Significant increases or decreases in any of these inputs in isolation would result in a significantly different fair value measurement. An increase in the risk-free interest rate, and/or an increase in the remaining contractual term or expected volatility, would result in an increase in the fair value of the warrants.

The following table summarizes the changes in fair value of the Company's Level 3 assets for the nine months ended September 30, 2016 (there were no Level 3 assets during the nine months ended September 30, 2017):

Level 3 Assets	Fair Value at December 31, 2015	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	Issuances (Settlements)	Net Transfer In (Out) of Level 3	Fair Value at September 30, 2016
Preferred stock tranche assets	$ 1,313	$ —	$ (1,313)	$ —	$ —	$ —
Total assets at fair value	$ 1,313	$ —	$ (1,313)	$ —	$ —	$ —

The following tables summarize the changes in fair value of the Company's Level 3 liabilities for the nine months ended September 30, 2017 and 2016:

Level 3 Liabilities	Fair Value at December 31, 2016	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	(Issuances) Settlements	Net Transfer In (Out) of Level 3	Fair Value at September 30, 2017
Preferred stock warrants	$ (674)	$ —	$ 335	$ —	$ —	$ (339)
Total liabilities at fair value	$ (674)	$ —	$ 335	$ —	$ —	$ (339)

Level 3 Liabilities	Fair Value at December 31, 2015	Realized Gains (Losses)	Change in Unrealized Gains (Losses)	(Issuances) Settlements	Net Transfer In (Out) of Level 3	Fair Value at September 30, 2016
Preferred stock warrants	$ (1,456)	$ —	$ 845	$ —	$ —	$ (611)
Total liabilities at fair value	$ (1,456)	$ —	$ 845	$ —	$ —	$ (611)

NOTE 6 – CONVERTIBLE PREFERRED STOCK

Under the Company's amended and restated certificate of incorporation, the Company's convertible preferred stock was recorded at fair value as of the date of issuance, net of issuance costs. Outstanding convertible preferred stock as of September 30, 2017, and December 31, 2016, consisted of the following:

	As of September 30, 2017			
	Shares		Carrying	Liquidation
	Designated	Outstanding	Values	Preference
Series 1 Convertible Preferred Stock	9,090,635	9,090,635	$ 1,034	$ 19,371
Series 2-A(1) Convertible Preferred Stock	20,781,845			
Series 2-A(2) Convertible Preferred Stock	4,677,457			
Total Series 2-A Convertible Preferred Stock	25,459,302	25,459,302	16,716	26,771
Series 2-B(1) Convertible Preferred Stock	27,709,127			
Series 2-B(2) Convertible Preferred Stock	39,346,310			
Total Series 2-B Convertible Preferred Stock	67,055,437	67,055,437	48,625	115,067
Series 3 Convertible Preferred Stock	80,225,978	78,843,653	71,125	89,955
Series 3-B Convertible Preferred Stock	5,262,373	5,262,373	5,991	17,306
Series 4 Convertible Preferred Stock	68,000,000	67,603,974	73,729	83,109
Total Convertible Preferred Stock	255,093,725	253,315,374	$217,220	$ 351,579

	As of December 31, 2016			
	Shares		Carrying	Liquidation
	Designated	Outstanding	Values	Preference
Series 1 Convertible Preferred Stock	9,363,187	9,363,187	$ 1,433	$ 18,822
Series 2-A(1) Convertible Preferred Stock	20,781,845			
Series 2-A(2) Convertible Preferred Stock	5,107,484			
Total Series 2-A Convertible Preferred Stock	25,889,329	25,889,329	17,027	25,683
Series 2-B(1) Convertible Preferred Stock	27,709,127			
Series 2-B(2) Convertible Preferred Stock	39,919,846			
Total Series 2-B Convertible Preferred Stock	67,628,973	67,628,973	49,038	112,254
Series 3 Convertible Preferred Stock	80,225,978	78,843,653	71,125	84,863
Series 3-B Convertible Preferred Stock	5,262,373	5,262,373	5,991	16,326
Series 4 Convertible Preferred Stock	67,603,974	67,603,974	73,729	78,405
Total Convertible Preferred Stock	255,973,814	254,591,489	$218,343	$ 336,353

During the nine months ended September 30, 2017, the Company purchased and retired Convertible Preferred Stock for approximately 100 dollars, as follows:

Security	Number of Shares Repurchased
Series 1 Convertible Preferred Stock	272,552
Series 2-A(2) Convertible Preferred Stock	430,027
Series 2-B(2) Convertible Preferred Stock	573,536
Total	1,276,115

The carrying value of the retired shares was $1,123, which approximated the gain on the retirement of the shares. This gain was recorded as a credit to Additional Paid-in Capital.

On November 3, 2017, in connection with the Merger, all outstanding Convertible Preferred Stock, with accumulated interest, was exchanged for 7,638,816 shares of Cempra common stock.

NOTE 7 – STOCK-BASED COMPENSATION

A summary of the stock option activity for the nine months ended September 30, 2017, under the 2001 Stock Option and Incentive Plan (“2001 Plan”) and the 2011 Equity Incentive Plan (“2011 Plan”) is presented in the table below:

	2001 Plan		2011 Plan	
	Options	Weighted-Average Exercise Price	Options	Weighted-Average Exercise Price
Outstanding as of January 1, 2017	210	$1,196.55	26,033,257	$ 0.62
Granted	—		7,977,355	$ 0.48
Exercised/released	—		(131,899)	$ 0.72
Forfeited	(4)	$1,261.72	—	
Expired	(88)	$1,417.67	(3,060,036)	$ 0.51
Outstanding as of September 30, 2017	118	$1,029.45	30,818,677	$ 0.59
Exercisable as of September 30, 2017	118	$1,029.45	16,031,640	$ 0.59
Exercisable and expected to vest as of September 30, 2017	118	$1,029.45	30,818,677	$ 0.59

Stock-Based Compensation—The Company uses a Black-Scholes option-pricing model for determining the estimated fair value for stock-based awards. The Black-Scholes option-pricing model requires the use of the subjective assumptions in order to determine the fair value of stock-based awards.

The weighted-average assumptions used to value stock option grants awarded during the nine months ended September 30, 2017 and 2016, were as follows:

	Nine Months Ended September 30,	
	2017	2016
Risk-free interest rate	1.96%	1.49%
Weighted-average volatility	75.4%	66.60%
Expected term - employee awards (in years)	6.0	6.0
Forfeiture rate	0.00%	0.00%
Dividend yield	—	—

Stock-based compensation reported in the Company's statements of operations for the three and nine months ended September 30, 2017 and 2016, was as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2017	2016	2017	2016
Research and development	$ 176	$ 231	$ 447	$ 840
Selling, general and administrative	372	347	1,181	1,011
Total stock-based compensation expense	$ 548	$ 578	$ 1,628	$ 1,851

No related tax benefits associated with stock-based compensation expense has been recognized and no related tax benefits have been realized from the exercise of stock options due to the Company's net operating loss carryforwards.

Total aggregate unrecognized stock-based compensation cost for the 2001 Plan and 2011 Plan was $0 and $5,044, respectively. The unrecognized stock-based compensation will be recognized over a weighted-average period of 2.7 years.

In August 2017, Melinta's board of directors authorized an increase in the common shares available for grant under the 2011 Plan to 35,000,000 (an increase of 2,835,014 shares). All options under the 2001 Plan and 2011 Plan converted to 732,499 options to purchase post-merger shares of Melinta Therapeutics, Inc. upon the successful closing of the merger on November 3, 2017, based upon the terms of the merger agreement.

NOTE 8 – LICENSE AGREEMENTS

In February 2017, the Company executed a license agreement with A. Menarini Industrie Farmaceutiche Riunite S.r.l. ("Menarini"), a leading pharmaceutical company in western Europe, under which the Company licensed rights to commercialize Baxdela in certain European, Asia-Pacific (except for Japan) and other rest-of-world territories (the "Agreement"). Pursuant to the terms and conditions of the Agreement, Menarini is entitled to exclusive rights to obtain product approval, procure supply from the Company and to commercialize Baxdela in the licensed territories, and the Company is entitled to receive regulatory, commercial and sales-based milestones as well as sales-based royalties on future net sales of Baxdela. In addition, Menarini and the Company agreed to share jointly in the future development cost of Baxdela. The Company received $19,905 upon the execution of the Agreement. Going forward, the Company will receive reimbursement for 50% of the costs incurred for efforts to expand the applicable indications for Baxdela, and it may receive up to approximately €90,000 for regulatory, commercial and sales-based milestones as well as sales-based royalties on future sales of Baxdela.

At the time the agreement was entered into, the Company identified two deliverables: the delivery of the Baxdela license to Menarini and the right to a related sublicense. While the Company is also providing development services in connection with the expansion of applicable indications for Baxdela, the Company is under no obligation to perform such services. In the event that the Company performs development services related to other indications of Baxdela, Menarini has the option to obtain the results of such services by reimbursing the Company for 50 percent of its related costs, and the Company has determined that Menarini's option is not priced at a significant and incremental discount. To the extent that the Company is reimbursed for development services, such amounts will be recognized separately from the initial license.

The agreement also states a separate Supply Agreement will be entered into at a future date under which Menarini will purchase Baxdela products from the Company until it can commence its own manufacturing. The pricing of Baxdela products under the Supply Agreement will not be at a significant, incremental discount. And, under the terms of the agreement, the Company is entitled to receive up to approximately €90,000 for regulatory, commercial and sales-based milestones as well as royalties on future sales of Baxdela. As the Company has completed all of its performance obligations under the agreement during the first quarter of 2017, the Company will recognize any future milestone payment received as revenue when Menarini achieves the milestone.

For immediate use of the license and right to the sublicense, Menarini is able to leverage the information contained within the Baxdela NDAs, which were filed by Melinta with the FDA in October 2016 for ABSSSI, to prepare the regulatory filings in the licensed territories. And, while the FDA approval was received in June 2017, regulatory approval in many of the licensed territories is not contingent upon U.S. FDA approval. The Company recognized $19,905, the consideration that was fixed and determinable at the inception of the agreement, upon delivery of the license and right to the sublicense in the first quarter of 2017, and the Company will recognize revenue associated with the development services as they are provided to Menarini. In the nine months ended September 30, 2017, the Company recognized revenue totaling $9,728 related to the development services. Of the $9,728, the Company has received $2,858 in cash payments; the balance of $6,870 is recorded in Receivables as of September 30, 2017.

In connection with the Agreement, the Company paid Wakunaga $1,590, which was credited toward the Company's future payment obligations to Wakunaga under the license agreement the Company has with Wakunaga for certain intellectual property underlying

Baxdela. This expense was recorded in general and administrative expense, which is where the Company records all expenses related to intellectual property that are generated by events and activities outside the Company's research and development activities. In this case, the payment was triggered by the receipt of upfront licensing fees from Menarini.

Receiving FDA approval of Baxdela triggered milestones of $6,000 and $1,500 due to Wakunaga and CyDex Pharmaceuticals, Inc. (now a wholly owned subsidiary of Ligand Pharmaceuticals Incorporated, both hereafter referred to as Ligand), respectively. Melinta paid $2,000 to Wakunaga and $1,500 to Ligand in June 2017. The remaining $4,000 due to Wakunaga is recorded in Accrued Expenses and will be paid in the next nine months.

Melinta has a distribution and supply agreement with Eurofarma, which gives Eurofarma the right to seek approval for and commercialize Baxdela in Brazil. In August 2017, Melinta and Eurofarma entered into an amendment to the distribution and supply agreement to extend the licensed territory to substantially all of Central America and South America for consideration of $1,000 (the "Amendment"). Because the Amendment did not significantly change the nature of the deliverables under the arrangement, management concluded that it did not constitute a material modification of the original arrangement. As such, the $9,000 of deferred revenue recorded in connection with the original agreement is appropriately deferred as of September 30, 2017 as the Company has not yet commenced commercial supply of Baxdela for the territory (Brazil).

In addition, because the Amendment was negotiated at arms' length, it was deemed to be a separate arrangement from the original contract. The Amendment has multiple elements, including the delivery of the license and the exclusive supply of Baxdela with respect to the licensed territories. The Company concluded that there was no standalone value for the delivered license in the amendment; accordingly, the consideration was recorded as deferred revenue as of September 30, 2017. We will commence recognition of the revenue when we begin to deliver under the supply agreement.

NOTE 9 – COMMITMENTS AND CONTINGENCIES

The Company may become subject to claims and assessments from time to time in the ordinary course of business. Such matters are subject to many uncertainties. The Company accrues liabilities for such matters when it is probable that future expenditures will be made and such expenditures can be reasonably estimated. As of September 30, 2017, and December 31, 2016, the Company does not believe that any such matters, individually or in the aggregate, will have a material adverse effect on the Company's business, financial condition, results of operations, or cash flows.

In May 2017, in connection with the commercial launch of Baxdela in early 2018, the Company entered into a fleet agreement with Automotive Rentals, Inc. ("ARI") under which it will lease vehicles for certain field-based employees. Under the fleet agreement, each vehicle will be leased under a separate agreement for a term of up to four years. In connection with the fleet agreement, in June 2017 the Company issued to ARI a $200 letter of credit, which auto-renews annually. As of September 30, 2017, the Company had vehicles under lease with annual minimum lease payments totaling approximately $70. The Company has completed its analysis of the leases, and because (i) the Company has no right to purchase the vehicles at any time, (ii) the future minimum lease payments are less than 90% of the fair value of the vehicles at the time of lease and (iii) the Company's use of the vehicles does not exceed 75% of the vehicles useful lives, the Company has determined that they are operating leases under current GAAP. Accordingly, the Company is recognizing the lease payments as expense as incurred.

Legal Proceedings

As discussed in Note 12, on November 3, 2017, the Company merged with Cempra, Inc. in a business combination. Prior to the merger, on November 4, 2016, a securities class action lawsuit was commenced in the United States District Court for the Middle District of North Carolina, Durham Division, naming Cempra, Inc. (now known as Melinta Therapeutics, Inc.) (for purposes of this Legal Proceedings section, "Cempra") and certain of Cempra's officers as defendants, and alleging violations of the Securities Exchange Act of 1934 in connection with allegedly false and misleading statements made by the defendants between May 1, 2016 and November 1, 2016 (the "Class Period"). The plaintiff seeks to represent a class comprised of purchasers of Cempra's common

stock during the Class Period and seeks damages, costs and expenses and such other relief as determined by the Court. Two substantially similar lawsuits were filed in the United States District Court, Middle District of North Carolina on November 22, 2016 and December 30, 2016, respectively, seeking to assert claims on behalf of all purchasers of Cempra's common stock from July 7, 2015 through December 29, 2016, inclusive. Pursuant to the Private Securities Litigation Reform Act, on July 6, 2017, the court consolidated the three lawsuits into a single action and appointed a lead plaintiff and co-lead counsel in the consolidated case. On August 16, 2017, the plaintiffs in the case filed a consolidated amended complaint. On September 29, 2017, the defendants in the case filed a motion to dismiss the consolidated amended complaint. On November 13, 2017, the plaintiffs in the case filed an opposition to the defendants' motion to dismiss the consolidated amended complaint. Cempra believes it has meritorious defenses and intends to defend the lawsuits vigorously. It is possible that similar lawsuits may yet be filed in the same or other courts that name the same or additional defendants.

On December 21, 2016, a shareholder derivative lawsuit was commenced in the North Carolina Durham County Superior Court, naming certain of Cempra's former and current officers and directors as defendants and Cempra as a nominal defendant, and asserting claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, and corporate waste. A substantially similar lawsuit was filed in the North Carolina Durham County Superior Court on February 16, 2017. The complaints are based on similar allegations as asserted in the putative securities class action described above, and seek unspecified damages and attorneys' fees. Both cases were served and transferred to the North Carolina Business Court as mandatory complex business cases. The Business Court has consolidated the two derivative cases into a single action and appointed lead counsel in the consolidated case. On July 6, 2017, the court entered an order staying the consolidated action pending resolution of the putative securities class action.

On August 3, 2017, a shareholder derivative lawsuit was commenced in the Court of Chancery of the State of Delaware, naming certain of Cempra's former and current officers and directors as defendants and Cempra as nominal defendant, and asserting claims for breach of fiduciary duty, unjust enrichment, and corporate waste. The complaint is based on similar allegations as asserted in the putative securities class action described above, and seeks unspecified damages and attorneys' fees. On October 23, 2017, the defendants in the case filed a motion to dismiss the complaint, which was supported by an opening brief filed on November 9, 2017. It is possible that similar lawsuits may yet be filed in the same or other courts that name the same or additional defendants.

On September 15, 2017, a shareholder derivative lawsuit was commenced in the United State District Court for the Middle District of North Carolina, Durham Division, naming certain of Cempra's former and current officers and directors as defendants and Cempra as nominal defendant, and asserting claims for breach of fiduciary duty, unjust enrichment, abuse of control, gross mismanagement, corporate waste, and alleged violation of Section 14(a) of the Exchange Act. The complaint is based on similar allegations as asserted in the putative securities class action described above, and seeks unspecified damages and attorneys' fees. On December 1, 2017, the parties filed a joint motion seeking to stay the shareholder derivative lawsuit pending resolution of the putative securities class action. It is possible that similar lawsuits may yet be filed in the same or other courts that name the same or additional defendants.

On September 27, 2017, a putative class action complaint was filed against Cempra and the members of its board of directors on behalf of the public stockholders of Cempra in the United States District Court for the Middle District of North Carolina. The complaint alleges that the preliminary proxy statement issued in connection with the proposed merger between Cempra and Melinta Therapeutics, Inc. (now known as Melinta Subsidiary Corp.) (for purposes of this Legal Proceedings section, "Melinta") omitted material information in violation of Sections 14(a) and 20(a) of the Exchange Act, rendering the preliminary proxy statement false and misleading. Among other remedies, the action sought to enjoin the merger unless and until additional disclosures are provided, damages, and attorneys' fees. Cempra believes that the action is without merit and that certain supplemental disclosures to the preliminary proxy statement made by Cempra have rendered the action moot. Nevertheless, counsel for plaintiff may file an application seeking recovery of attorneys' fees.

On October 6, 2017, a putative class action complaint was filed against Cempra and the members of its board of directors on behalf of the public stockholders of Cempra in the United States District Court for the Middle District of North Carolina. The complaint, filed

after a definitive proxy statement was issued on October 5, 2017 in connected with the proposed merger between Cempra and Melinta alleges that the preliminary proxy statement omitted material information in violation of Sections 14(a) and 20(a) of the Exchange Act, rendering the preliminary proxy statement false and misleading. The Complaint also asserted a claim under Section 20(a) of the Exchange Act against Melinta. Among other remedies, the action sought enjoin the merger unless and until additional disclosures are provided, damage and attorneys' fees. Cempra and Melinta believe that the action is without merit and that certain supplemental disclosures to the preliminary proxy statement made by Cempra have rendered the action moot. Nevertheless, counsel for plaintiff may file an application seeking recovery of attorneys' fees.

Other than as described above, Cempra is not a party to any legal proceedings and is not aware of any claims or actions pending or threatened against Cempra. In the future, Cempra might from time to time become involved in litigation relating to claims arising from its ordinary course of business.

Other than as described above, Melinta is not a party to any legal proceedings and is not aware of any claims or actions pending or threatened against Melinta. In the future, Melinta might from time to time become involved in litigation relating to claims arising from its ordinary course of business.

NOTE 10 – BENEFIT PLAN

The Company has a 401(k) Plan in which all of the Company's employees are eligible to participate. Each year, although not required, the Company may make matching contributions to the 401(k) Plan. The Company made contributions of $105 and $65 for the three months ended September 30, 2017 and 2016, respectively, and $334 and $261 for the nine months ended September 30, 2017 and 2016, respectively.

NOTE 11 – RELATED PARTY TRANSACTIONS

The Company uses various software tools in the research and development discovery process. These tools are licensed at market rates from a company owned by Dr. William Jorgensen. Dr. Jorgensen is a founder of the Company and is the spouse of the Company's Chief Scientific Officer. The Company paid fees of $40 to Dr. Jorgensen's company during the three and nine months ended September 30, 2017. The Company paid fees of $43 to Dr. Jorgensen's company during the nine-month period ended September 30, 2016; it did not pay any fees during the three months ended September 30, 2016.

Dr. Thomas Koestler is the Company's Chairman of the Board and is employed by the Company's lead investor. Dr. Koestler received compensation for his role in the amount of $38 and $113 for the three and nine month periods ended September 30, 2017, and $38 and $113 for the three- and nine-month periods ended September 30, 2016, respectively.

The Company issued Convertible Promissory Notes to certain of its investors. See Note 3 for discussion of these notes.

NOTE 12 – MERGER

On August 8, 2017, Melinta entered into a definitive agreement to merge with a subsidiary of Cempra, Inc. ("Cempra") in an all-stock transaction. On August 8, 2017, Melinta stockholders adopted the merger agreement and approved the merger and related transactions, and on September 6, 2017, Melinta stockholders approved the merger agreement amendment, adopted the merger agreement, as amended, and approved the merger and related transactions, pursuant to the terms of the merger agreement, as amended. The Cempra shareholders approved the merger in a meeting on November 3, 2017. On November 3, 2017, the merger closed.

On November 3, 2017, in connection with the closing of the merger, each outstanding share of Melinta's common stock (including shares of Melinta common stock issued upon the conversion, immediately prior to the effective time of the Merger, of Melinta's then-outstanding convertible notes and preferred stock) automatically converted into the right to receive 0.0229 shares of Cempra's common stock. At the effective time of the Merger, each outstanding option, whether or not vested, to purchase Melinta common stock and each outstanding warrant to purchase Melinta common stock or Melinta preferred stock unexercised prior to the effective time of the Merger was converted into an option or warrant to purchase post-merger common stock. Immediately after the Merger, pre-closing Melinta stockholders owned, on a fully-diluted basis as calculated under the treasury stock method, approximately 52% of post-merger common stock and pre-closing Cempra stockholders owned approximately 48% of post-merger common stock.

NOTE 13 – SUBSEQUENT EVENTS

The Company evaluated subsequent events through the date that these financial statements were available for issuance, or December 5, 2017. Any significant events that occurred after September 30, 2017, have been presented in other notes to these September 30, 2017, financial statements and are identified as subsequent events.

On November 28, 2017, Melinta entered into the acquisition agreement with The Medicines Company under which Melinta will acquire a group of antibiotic drug businesses of The Medicines Company and certain other assets known, collectively, as the Infectious Disease Businesses ("IDB"). Melinta will pay $165,000 in cash and common stock with a fair value of $55,555 at the time of the closing and will be committed to further payments of $25,000 each on the 12- and 18-month anniversaries of the closing date. In addition, Melinta will be obligated to make contingent milestone and sales-based royalty payments to The Medicines Company based on future events. The Company expects that this transaction will close in the first quarter of 2018.

In connection with the Acquisition, Melinta received commitment letters for both a new financing agreement, the Senior Secured Credit Facility (the "Credit Facility") and $30,000 in additional equity financing from existing investors. The Credit Facility will provide up to $240,000 in debt and equity financing, with a term of six years. The lender will initially make $190,000 of the total $240,000 financing available. The interest rate on the debt portion of this initial financing will be 11.75%. The additional $50,000 of debt is available after the Company has achieved certain revenue thresholds, and, if drawn, will bear an interest rate of 14.75%. The Credit Facility will also provide for the lender to obtain a warrant for the purchase of Melinta common stock. Details of the Credit Facility and equity financing arrangement were not final as of the date of this report. The proceeds of these arrangements will be used to fund the Acquisition, retire the 2017 Loan Agreement, and fund continuing operations of the Company.

Exhibit 99.3

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

The following discussion and analysis should be read in conjunction with Melinta's 2016 audited consolidated financial statements included elsewhere in this document. This discussion and analysis contains forward-looking statements based upon current beliefs, plans and assumptions, such as statements regarding Melinta's intentions, plans, objectives, expectations, forecasts and projections. Melinta's actual results and the timing of selected events could differ materially from those anticipated in these forward-looking statements.

Melinta Corporate Overview

Melinta ("we," "us," "our," the "Company") was incorporated in the State of Delaware and commenced operations in October 2000. We have previously operated under the names Rib-X Designs, Inc. and Rib-X Pharmaceuticals, Inc., and in October 2013, Rib-X Pharmaceuticals, Inc. changed its name to Melinta Therapeutics, Inc. Melinta's operations to date have primarily focused on the discovery and development of antibiotics to combat resistant, life-threatening infections. We have also conducted activities related to business planning, organizing and staffing Melinta, raising capital and other business development activities. In November 2012, the Company was recapitalized, and Vatera Healthcare Partners LLC became the lead investor in Melinta. On November 3, 2017, Melinta completed a merger with Cempra, Inc. ("Cempra") in which Melinta became Melinta Subsidiary Corp., a wholly-owned subsidiary of Cempra. Cempra was re-named Melinta Therapeutics, Inc. as part of the merger.

On June 19, 2017, the Company received approval from the Food and Drug Administration ("FDA") to sell our first antibiotic, Baxdela®, for treatment of advanced skin and skin structure infections ("ABSSSI"). The Company is completing plans to begin sales of Baxdela in early 2018.

To date, Melinta has principally financed its operations through sales of preferred stock, the issuance of convertible notes, loans from financial institutions, and funds received from collaborations and business development transactions. Total cash generated through equity financings since our recapitalization through September 30, 2017, was $222.1 million, and our cash balance at September 30, 2017, was $12.2 million.

Melinta has never been profitable. As of September 30, 2017, we had an accumulated deficit of $553.9 million, and Melinta's net losses were $40.1 million and $73.9 million for the nine months ended September 30, 2017, and the year ended December 31, 2016, respectively. Substantially all of our losses have resulted from costs incurred in connection with our development and discovery programs as well as from general and administrative costs associated with the Company's operations.

We expect to continue to incur significant expenses as we advance the organization, including manufacturing drug product; establishing a commercial organization; establishing marketing and distribution functions; completing our Phase 3 clinical study for community-acquired bacterial pneumonia ("CABP"); investing in additional indications for Baxdela; and advancing our discovery programs. After the merger (discussed below) is consummated, Melinta's expenses, evaluated as a stand-alone company, will further increase as a result of costs associated with being a public company, such as the hiring of financial personnel and adding operational, financial and management information systems.

Recent Developments

On August 8, 2017, the Company entered into a definitive agreement to merge with a subsidiary of Cempra, Inc. ("Cempra") in an all-stock transaction. On August 8, 2017, Melinta stockholders adopted the merger agreement and approved the merger and related transactions, and on September 6, 2017, Melinta stockholders approved the merger agreement amendment, adopted the merger agreement, as amended, and approved the merger and related transactions, pursuant to the terms of the merger agreement, as amended. The Cempra shareholders approved the merger in a meeting on November 3, 2017. On November 3, 2017, the merger closed and on November 6, 2017, Melinta began trading on the NASDAQ under the ticker symbol MLNT.

On November 28, 2017, Melinta entered into the acquisition agreement with The Medicines Company under which Melinta will acquire a group of antibiotic drug businesses of The Medicines Company and certain other assets known, collectively, as the Infectious Disease Businesses ("IDB"). Melinta will pay $165.0 million in cash and in common stock with a fair value of $55.6 million at the time of the closing and will be committed to further payments of $25.0 million each on the 12- and 18-month anniversaries of the closing date. In addition, Melinta will assume certain contingent milestone payment liabilities and will make sales-based royalty payments to The Medicines Company based on future events.

In connection with the Acquisition, Melinta received commitment letters for both a new financing agreement, the Senior Secured Credit Facility (the "Credit Facility"), and $30,000 in additional equity financing from existing investors. The Credit Facility will provide up to $240 million in debt and equity financing, with a term of six years. The lender will initially make $190,000 of the total $240,000 financing available. The interest rate on the debt portion of this initial financing will be 11.75%. The additional $50,000 of debt is available after the Company has achieved certain revenue thresholds, and, if drawn, will bear an interest rate of 14.75%. The Credit Facility will also provide for the lender to obtain a warrant for the purchase of Melinta common stock. Details of the Credit Facility and equity financing arrangement were not final as of the date of this report. The proceeds of these arrangements will be used to fund the Acquisition, retire the 2017 Loan Agreement, and fund continuing operations of the Company.

Financial Overview

Revenue

To date, Melinta has not generated any product revenue or royalties from the sale of commercial products. Baxdela has been approved for commercial sale in the United States, and we intend to commercialize Baxdela in the United States with a targeted sales force. The Company anticipates that it will not recognize meaningful revenue from sales of this product before 2018.

For markets outside of the United States, we have partnered with leading multi-national pharmaceutical companies around the world to optimize the global commercial potential of Baxdela. Currently, commercial agreements exist in Europe, Asia-Pacific (excluding Japan), Central and South America and the Middle East and Africa regions.

In December 2014, we entered into distribution and supply agreements for Baxdela with Eurofarma, a leading pharmaceutical company in Brazil. Under the terms of these arrangements, Eurofarma will be responsible for filing for approval for Baxdela in Brazil and, if approved, will commercialize Baxdela in that territory. Upon entering into this arrangement, Melinta received a $15.0 million payment, $6.0 million was recorded as an equity investment and $9.0 million of deferred revenue was recorded as a liability in January 2015, when the transaction was funded. The ability to recognize this revenue is dependent upon receiving regulatory and pricing approval in Brazil and the successful commercialization of the product by Melinta's partner. Should regulatory and pricing approval be obtained, the recognition of the deferred revenue will commence upon our initial shipments of Baxdela to Eurofarma. In August 2017, Melinta entered into an amendment to the distribution and supply agreement to extend the licensed territory to substantially all of Central America and South America for consideration of $1.0 million. Under the terms of this amendment, we have the ability to earn additional milestones up to $3.6 million based on regulatory approval in several countries.

In August 2015, Melinta entered into supply and distribution agreements with Malin, a principal investor of Melinta with a more than 5% ownership interest, which Malin subsequently assigned to its affiliate Altan Pharma Limited, or Altan. Pursuant to the terms and conditions of the supply and distribution agreements, Altan is entitled to exclusive rights to obtain product approval, procure supply from Melinta and commercialize Baxdela in Africa and the Middle East. In connection with the supply and distribution agreements, Melinta is entitled to receive a royalty based on Altan's net sales of Baxdela. No upfront payments were received or paid in connection with these agreements.

In February 2017, Melinta executed a license agreement with Menarini, a leading pharmaceutical company based in Europe, under which Melinta licensed rights to commercialize Baxdela in certain European, Asia-Pacific (excluding Japan) and other rest-of-world territories. Pursuant to the terms and conditions of the arrangement, Menarini is entitled to exclusive rights to obtain product approval, procure supply from Melinta and commercialize Baxdela in the licensed territories, and Melinta may earn additional commercial and regulatory milestones of approximately €90.0 million and is entitled to receive a tiered royalty, in the low double digits, based on Menarini's net sales of Baxdela and the country of sale. In addition, Menarini and Melinta agreed to share jointly in the future development cost of Baxdela, including the current CABP Phase 3 clinical trial and, potentially, other future studies initiated for additional indications. At the onset of this arrangement, we received $19.9 million, and, going forward, we are entitled to reimbursement of 50% of the development costs incurred for our in-process CABP Phase 3 clinical trial. The Company recognized $19.9 million of revenue associated with the delivery of the license to Menarini in the first quarter of 2017 and is recognizing revenue related to the reimbursement of development costs as the services are performed.

During the nine months ended September 30, 2017, we recognized revenue from the Menarini agreement of $29.6 million, of which $19.9 million related to the license and $9.7 million related to the cost-sharing arrangement for expenses incurred during the first half of 2017.

To the extent that the Company does not find additional partners for the commercialization of Baxdela outside the United States, or to the extent that our existing partners are not successful in the commercialization of Baxdela, we may or may not receive additional milestones, royalties or other collaboration related revenue in the future.

Research and Development Expenses

The majority of our operating expenses to date have been incurred for discovery, research and development costs relating to our drug candidates. The Company's business model is dependent upon its continued investment in discovery, research and development. Melinta's discovery, research and development costs consist primarily of:

- external development expenses incurred under arrangements with third parties such as: fees paid to contract research organizations ("CROs") in connection with Melinta's clinical trials, costs of acquiring and evaluating clinical trial data such as investigator grants, patient screening fees, laboratory work, statistical compilation and fees paid to consultants;
- external discovery expenses incurred under arrangements with third parties to conduct research and testing related to our ESKAPE pathogen program;
- employee-related expenses, including salaries, benefits, travel and stock-based compensation expense;
- costs to acquire, develop and manufacture clinical trial materials, including fees paid to contract manufacturers;
- expenses, including milestone payments, related to licensed products and technologies until regulatory approval of the products;
- compliance costs and fees related to drug development regulatory requirements; and
- facilities, depreciation, rent, maintenance, insurance, laboratory and other supplies.

We expense research and development costs as incurred. Discovery, clinical trial and other development costs incurred by third parties are recognized as expense as the contracted services are performed. We accrue for incurred expenses as the services are being provided by monitoring the status of the clinical trial or project and the corresponding invoices and other input received from Melinta's external service providers. Expenses for certain development activities are recognized based on an evaluation of the progress to completion of specific tasks using information and data provided by Melinta's vendors and its clinical sites. We adjust our accrual as actual costs become known.

We anticipate that we will continue to incur significant research, development and manufacturing expenses in connection with the completion of our Phase 3 trial testing the intravenous and oral formulations of Baxdela for patients with CABP and evaluating the results of that trial. If we achieve positive results, we will incur additional expenses related to the CABP indication to support the process for obtaining marketing approval. The Company also anticipates incurring significant research and development expenses as it pursues additional indications for Baxdela. Further, we intend to advance a lead candidate from our novel drug discovery program focused on resistant pathogens into the clinical stage, which will lead to the incurrence of significant development expenses for this program. Additionally, we have collaborated with a third-party research organization to develop its radezolid drug candidate, and the Company may decide to opt-in to the radezolid acne program or initiate additional radezolid indications, which would increase the costs borne by Melinta for this product.

The successful development of Melinta's product candidates is highly uncertain due to the numerous risks and uncertainties associated with developing drugs, including:

- the scope, rate of progress and expense of our discovery, research and development activities;
- our ability to market, commercialize and achieve market acceptance of Baxdela or any other product candidate we may develop in the future;
- the results of our clinical trials;
- the terms and timing of regulatory approvals; and
- the expense of filing, prosecuting, defending and enforcing patent claims and other intellectual property rights.

A change in the outcome of any of these variables with respect to the development of any product candidate that we may develop could mean a significant change in the costs and timing associated with the development of the product candidates. For example, if the FDA or other regulatory authority were to require Melinta to conduct clinical trials beyond those which we currently anticipate will be required for the completion of clinical development of Baxdela for CABP or other product candidates, or if we experience significant delays in clinical trial enrollment in any clinical trial, we could be required to expend significant additional financial resources and time on the completion of clinical development.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") consist primarily of salaries and benefits-related expenses for personnel, including stock-based compensation expense, in our executive, finance, sales, marketing and business development functions. SG&A costs also include facility costs for the Company's administrative offices and professional fees relating to legal, intellectual property, human resources, information technology, accounting and consulting services.

We expect to incur increased expenses associated with expanding our marketing function and building a U.S. commercial team in connection with the commercial launch of Baxdela. We started incurring these expenses in the second half of 2016 in anticipation of the marketing approval of Baxdela in the second quarter of 2017. These expenses will increase substantially in the fourth quarter of 2017 and first quarter of 2018 as the Company completes the development of its sales team. We also expect to support the growth in our business with increased headcount and infrastructure costs. We expect that our general and administrative expenses will increase in the future as we expand our operating activities, maintain and expand our patent portfolio, and incur additional costs associated with the merger through which we became a public company.

Interest Income and Expense

Melinta's excess cash balances are invested in money market funds, which generate a minimal amount of interest income. Melinta expects to continue this investment philosophy for excess cash as additional funds are received.

We have utilized notes payable and convertible promissory notes as sources of funding. We record interest on the effective interest method in relation to outstanding notes.

Critical Accounting Policies and Significant Judgments and Estimates

Melinta's management's discussion and analysis of its financial condition and results of operations is based on its financial statements, which Melinta has prepared in accordance with GAAP. The preparation of these financial statements requires Melinta to make estimates and judgments that affect the reported amounts of assets, liabilities and expenses and the disclosure of contingent assets and liabilities in Melinta's financial statements. On an ongoing basis, Melinta evaluates its estimates and judgments, including those related to accrued expenses and stock-based compensation described in greater detail below. Melinta bases its estimates on historical experience, known trends and events, and various other factors that Melinta believes are reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Melinta's significant accounting policies are described in more detail in Note 2 to Melinta's audited consolidated financial statements appearing elsewhere in this Current Report on Form 8-K. However, Melinta believes that the following accounting policies are the most critical to aid you in fully understanding and evaluating Melinta's financial condition and results of operations:

- Revenue recognition
- Accrued research and development expenses
- Stock-based compensation
- Common stock valuation
- Preferred stock warrants
- Inventory
- Intangible assets

Revenue Recognition

Melinta recognizes revenue under ASC 605, Revenue Recognition. Melinta's revenue arrangements consist of licensing revenue related to non-refundable upfront fees, reimbursement of research and development expenses, milestone payments and royalties on future product sales by the licensee. Revenue is recognized when the following criteria are met: (1) persuasive evidence that an arrangement exists; (2) delivery of the products and/or services has occurred; (3) the selling price is fixed or determinable; and (4) collectability is reasonably assured.

For arrangements that involve the delivery of more than one element, significant contract interpretation is sometimes required to determine the appropriate accounting, including whether the deliverables specified in a multiple-element arrangement should be treated as separate units of accounting for revenue recognition purposes and, if so, how the aggregate contract value should be allocated among the deliverable elements and when to recognize revenue for each element under ASC 605. Each product, service and/or right to use assets is evaluated to determine whether it qualifies as a separate unit of accounting. This determination is based on whether the deliverable has "stand-alone value" to the customer. The consideration that is fixed or determinable is then allocated to each separate unit of accounting based on the relative fair values of each deliverable. The consideration allocated to each unit of accounting is recognized as the related goods and services are delivered, limited to the consideration that is not contingent upon future deliverables. When an arrangement is accounted for as a single unit of accounting, Melinta determines the period over which the performance obligations will be performed and revenue recognized.

Under the Menarini license agreement, discussed in Note 8 to Melinta's unaudited condensed consolidated financial statements included in this Current Report on Form 8-K, at the time the agreement was entered into, Melinta identified two

deliverables: the delivery of the Baxdela license to Menarini and the right to a related sublicense. While Melinta is also providing development services in connection with the expansion of applicable indications for Baxdela, Melinta is under no obligation to perform such services. In the event that Melinta performs development services related to other indications of Baxdela, Menarini has the option to obtain the results of such services by reimbursing Melinta for 50 percent of its related costs, and Melinta has determined that Menarini's option is not priced at a significant and incremental discount. As such, Melinta has not recognized any revenue related to the potential cost reimbursement at the contract execution date. To the extent that Melinta is reimbursed for development services, such amounts will be recognized separately from the initial license.

The agreement also states a separate supply agreement will be entered into at a future date under which Menarini will purchase Baxdela products from Melinta until it can commence its own manufacturing. The pricing of Baxdela products under the supply agreement will not be at a significant, incremental discount. And, under the terms of the agreement, Melinta may receive up to approximately €90 million for regulatory, commercial and sales-based milestones as well as low, double-digit royalties on future sales of Baxdela. Melinta will recognize any future milestone payment received as revenue when Menarini achieves the milestone.

For immediate use of the license and right to sublicense, Menarini is able to leverage the information contained within the Baxdela NDAs, which were filed by Melinta with the FDA in October 2016 for ABSSSI, to prepare the regulatory filings in the licensed territories. And, while the FDA approval was received in June 2017, regulatory approval in many of the licensed territories is not contingent upon U.S. FDA approval. Melinta recognized $19.9 million, the consideration that was fixed and determinable at the inception of the agreement, upon delivery of the license and right to sublicense in the first quarter of 2017, and Melinta will recognize revenue associated with the development services as they are provided to Menarini. In the six months ended June 30, 2017, Melinta recognized revenue totaling $6.5 million related to the development services.

In December 2014, Melinta entered into a supply agreement and a distribution agreement, together referred to as the commercial agreements, and a stock purchase agreement with Eurofarma. The overall purpose of these agreements was to establish a relationship with Eurofarma to distribute Baxdela in Brazil. Upon entering the agreements, Melinta received a $1.0 million milestone payment for consideration of the rights granted in the commercial agreements. Simultaneously, Eurofarma purchased $14.0 million of Series 3-B Convertible Preferred Stock at a negotiated valuation of $2.660397 per share.

Because the Eurofarma agreements were entered into on a concurrent basis, Melinta determined that accounting for this transaction required an analysis of the relative fair values of the agreements and that the total consideration received should be allocated to the various components based on the relative fair values. In the analysis, Melinta determined that it would record $6.0 million as the fair value of the equity investment and $9.0 million as deferred revenue relating to the commercial agreements. The determination of these amounts required significant estimates by management.

The value of shares purchased by Eurofarma was determined by management with input from an independent external valuation expert based on the Probability Weighted Expected Return Model, or PWERM, model, as described under Common Stock Valuation below, as of December 31, 2014. This model required estimates of the future value of Melinta under various funding, acquisition and liquidation scenarios. These scenarios were developed by management based on comparative market data and internal fund raising objectives. The PWERM model also included assumptions regarding discount rate, new option grants, volatility and a discount for lack of marketability.

The values of the commercial agreements, which essentially represent the distribution rights for Baxdela in Brazil, were determined using a comparative business valuation method (often referred to as the "with-and-without" method). Melinta prepared an expected value analysis assuming a commercial entry into Brazil without a partner versus the scenario of working with Eurofarma as a partner. The difference in expected values in these two scenarios was used to determine the relative value of the commercial agreements. This comparative business model valuation method required assumptions regarding product launch timing, market size, market share, market uptake, pricing, research and development costs, commercialization costs, tax rates and the discount rate applied. In developing the assumptions regarding product launch timing, market size, market share and market uptake, Melinta used estimates included in the commercial agreements, which estimates may ultimately change based on actual results. Changes in any of Melinta's assumptions may have had a material impact on the distribution of relative values between equity and deferred revenue.

The value assigned to the equity component of this transaction was included in the balance sheet as convertible preferred stock. The value assigned to the commercial agreements was recorded as deferred revenue and will be recognized over the applicable patent lives, commencing upon the initial shipments of Baxdela.

Accrued Research and Development Expenses

As part of the process of preparing Melinta's financial statements, Melinta estimates its accrued research and development expenses. The process involves reviewing quotations and contracts, identifying services that have been performed on Melinta's behalf and estimating the level of service performed and the associated cost incurred for the service when Melinta has not yet been invoiced or otherwise notified of the actual cost. The majority of Melinta's service providers invoice Melinta monthly in arrears for services performed or when contract milestones are achieved. Melinta makes estimates of its accrued expenses as of each balance sheet date in its financial statements based on the facts and circumstances known to Melinta at that time. Melinta periodically confirms the accuracy of its estimates with the service providers and make adjustments as necessary. The significant estimates in Melinta's accrued research and development expenses are related to costs incurred by its partners, such as CROs, in connection with research and development activities for which Melinta has not yet been invoiced. Expenses relating to CROs are the most significant component of Melinta's research and development accruals.

Melinta recognizes expenses related to CROs based on Melinta's estimates of the services received and efforts expended pursuant to quotes and contracts with the CROs. The financial terms of these agreements are subject to negotiation, vary from contract to contract and may result in uneven payment flows. There may be instances in which payments made to Melinta's vendors will exceed the level of services provided at the time of payment and result in a prepayment of the research and development expense. If the actual timing of the performance of services or the level of effort varies from Melinta's estimate, Melinta adjusts the accrual or prepaid expense accordingly.

Stock-Based Compensation

Melinta accounts for stock-based compensation using the fair value method. The fair value of awards granted is estimated at the date of grant and recognized as expense on a straight-line basis over the requisite service period with the offsetting credit to additional paid-in capital. Stock options granted typically fully vest over four years from the grant date and expire after 10 years.

Stock options are granted at exercise prices not less than the estimated fair value of Melinta's common stock at the date of grant. Melinta utilizes the Black-Scholes option-pricing model for determining the estimated fair value of awards. Key inputs and assumptions include the expected term of the option, stock price volatility, risk-free interest rate, dividend yield, estimated fair value of Melinta's common stock, and exercise price. Many of the assumptions require significant judgment and any changes could have a material impact in the determination of stock-based compensation expense. Melinta adjusts stock-based compensation expense for forfeitures when actual forfeitures occur.

Stock options granted to nonemployees are valued using the Black-Scholes option-pricing model. Stock options granted to nonemployees are subject to periodic revaluation over their vesting terms. As a result, the charge to operating expenses for nonemployee options with vesting is affected each reporting period by changes in the fair value of the stock options.

Melinta has historically granted common stock options to members of management. The majority of options outstanding as of September 30, 2017, were granted under the 2011 Equity Incentive Plan in December 2013 or later. (As of September 30, 2017, 118 stock options are outstanding under the 2001 Stock Option and Incentive Plan.) While the majority of options are held by management and other employees, Melinta's founders and some members of the Board of Directors have also been granted options. As Melinta continues to expand its headcount in support of pursuing additional clinical programs and building a commercial

organization, Melinta expects to make additional option grants, which will result in additional stock-based compensation expense. Since Melinta has not been a publicly traded company, the fair value of Melinta's common stock has historically been determined by management with input from an independent external valuation expert. The intent of management is to ensure that the exercise price of issued options is not less than fair value at the date of the grant.

The following table summarizes the weighted-average assumptions, other than the estimated fair value of Melinta's common stock (which is discussed under Common Stock Valuation below), used in the Black-Scholes model to value stock option grants for the nine months ended September 30, 2017.

	Nine Months Ended September 30, 2017
Risk-free interest rate	1.96%
Weighted-average volatility	75.4%
Expected term—employee awards (in years)	6.0
Forfeiture rate	0.00%
Dividend yield	—

Risk-free Interest Rate—The risk-free interest rate assumptions are based on zero-coupon U.S. Treasury instruments that have terms consistent with the expected term for Melinta's stock option grants.

Expected Dividend Yield—Melinta has never declared or paid any cash dividends and do not presently plan to pay cash dividends in the future.

Expected Volatility—Due to Melinta's limited operating history and lack of its specific historical and implied volatility rates, the expected volatility rate used to value stock option grants is estimated based on volatilities of a peer group of similar companies whose share prices are publicly available. The peer group is updated at least annually based on companies in the pharmaceutical and biopharmaceutical industry with a specific therapeutic focus and at a similar stage of development.

Forfeiture Rate—Under the Financial Accounting Standards Board, or FASB, ASC 718 Compensation – Stock Compensation, or FASB ASC Topic 718, prior to January 1, 2016, Melinta was required to estimate the level of forfeitures expected to occur and record share-based compensation expense only for those awards that Melinta ultimately expects will vest. Due to the lack of historical forfeiture activity of its plan, Melinta estimated the forfeiture rate based on data from a representative group of companies with similar characteristics to Melinta. In March 2016, the FASB issued Accounting Standards Update 2016-09, Improvements to Employee Share-Based Payment Accounting, which simplified several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. On January 1, 2016, Melinta adopted this guidance on a modified retrospective basis and changed its accounting policy for forfeitures of stock-based compensation to recognize such forfeitures as they occur rather than estimating an expected amount of forfeitures. The impact of this change to the financial statements was not significant and, therefore, Melinta did not record an adjustment to its beginning accumulated deficit as of January 1, 2016.

Common Stock Valuation

Options outstanding as of September 30, 2017, granted under the 2011 Stock Option Plan, the fair value of the common stock at each grant date, and the grant date fair value of the options are summarized in the following table:

Option Grant Date	Number of Options Granted & Outstanding	Exercise Price	Fair Value of Common Stock	Grant Date Fair Value of Options	Total Grant Date Fair Value of Options
December 2013	5,631,717	$ 0.39	$ 0.39	$ 0.22	$ 1,238,978
April 2014	5,939,668	$ 0.63	$ 0.63	$ 0.37	$ 2,197,677
May 2014	168,951	$ 0.63	$ 0.63	$ 0.37	$ 62,512
June 2014	743,951	$ 0.63	$ 0.63	$ 0.37	$ 275,262
September 2015	3,558,208	$ 0.83	$ 0.83	$ 0.55	$ 1,957,014
November 2015	795,072	$ 0.87	$ 0.87	$ 0.58	$ 461,142
December 2015	196,665	$ 0.87	$ 0.87	$ 0.58	$ 114,066
March 2016	3,344,194	$ 0.87	$ 0.81	$ 0.52	$ 1,738,981
September 2016	2,057,835	$ 0.50	$ 0.50	$ 0.30	$ 617,351
October 2016	608,875	$ 0.50	$ 0.22	$ 0.10	$ 60,888
January 2017	594,782	$ 0.50	$ 0.27	$ 0.15	$ 89,217
April 2017	1,019,300	$ 0.50	$ 0.27	$ 0.14	$ 142,702
August 2017	6,171,679	$ 0.48	$ 0.48	$ 0.32	$ 1,974,937
	30,830,897				$ 10,930,727

Since inception, Melinta has been a private company with no active public market for Melinta's common stock. Therefore, Melinta has utilized a third-party valuation expert to assist management in periodically determining the per share fair value of Melinta's various classes of equity. These valuations were prepared in compliance with the Statement on Standards for Valuation Services No. 1 of the American Institute of Certified Public Accountants. Since the November 2012 recapitalization of Melinta, valuations have been prepared as of November 15, 2012, September 30, 2013, March 21, 2014, December 31, 2014, and quarterly thereafter through June 30, 2017.

In conducting these valuations, with input from the board of directors and third-party valuation specialists, Melinta considered objective and subjective factors that Melinta believed to be relevant for each valuation conducted, including Melinta's best estimate of its business condition, prospects and operating performance at each valuation date. For the valuations performed, Melinta used a range of factors and assumptions. The significant factors include:

- the rights, preferences and privileges of Melinta's convertible preferred stock as compared to those of Melinta's common stock, including liquidation preferences and dividend rights of Melinta's convertible preferred stock;
- potential future issuances of stock, warrants or options;
- Melinta's results of operations, financial position and the status of research and development efforts;
- the lack of liquidity of Melinta's common and preferred stock as a private company;
- Melinta's stage of development and business strategy and the material risks related to Melinta's business and industry;
- the likelihood of achieving a liquidity event for the holders of Melinta's equity, such as an initial public offering, or IPO, or a sale of Melinta given the prevailing market conditions, or a chance of clinical failure and subsequent liquidation of Melinta;
- the achievement of corporate objectives, including entering into business development transactions;
- the valuation of publicly traded companies in the life sciences and biotechnology sectors, as well as recently completed mergers and acquisitions of peer companies;

- any external market conditions affecting the life sciences and biotechnology industry sectors;
- the state of the IPO market for similarly situated privately held biotechnology companies;
- general U.S. economic conditions; and
- Melinta's most recent valuations prepared with the assistance of its independent valuation specialist.

Melinta and its third-party valuation specialist considered several different valuation methodologies for estimating the value of the enterprise and evaluated several models for allocating that value to the various classes of equity.

Melinta selected the PWERM method to allocate the equity value among the various classes of equity given Melinta's stage of development, the availability of relevant data and Melinta's expectation that Melinta is able to forecast distinct future liquidity scenarios as of each valuation date. Furthermore, the PWERM approach was deemed to be the valuation model investors would likely use to value Melinta's company. Under a PWERM approach, the value of various equity securities are estimated based upon an analysis of future values for the enterprise assuming various future outcomes, as well as the rights of various classes of equity. Melinta's future outcomes were modeled based on various scenarios for initial public offerings, various company sale scenarios and a liquidation scenario. These scenarios were developed by management based on comparative market data and internal fundraising objectives.

The PWERM analyses underlying each scenario represent Level 3 unobservable inputs. Management makes assumptions and uses judgment to estimate the following inputs into Melinta's PWERM model (listed in order of significance):

1) ***The Value and Timing of Future Liquidity Events***. Melinta estimates the value of future liquidity events under three scenarios: an IPO scenario, a sale of Melinta and a liquidation scenario. The IPO and Melinta sale scenarios each include high, middle and low range values. Each scenario and value point within each scenario is assigned a probability based on management's assessment of the likelihood of occurrence of a liquidity event of that type for the indicated valuation amount. The timing of the various events is determined by management based on Melinta's intentions at that valuation date. The values for the IPO scenario are determined by comparison to similar stage companies and management's calculations based on current valuations and future anticipated financings. Melinta sale scenarios are based on average change in control premiums for similar companies and analysis of specific relevant transactions. While multiple scenarios were considered, in order to reflect a range of possible future values, the greatest weighting was applied to the IPO scenarios, which management deemed to be the most likely form of liquidity event as of each valuation date. During the period over which Melinta has prepared valuations, Melinta has applied between 60-85% of the weighting to the IPO scenarios and 10-35% to Melinta sale scenarios. Significant increases or decreases in these inputs in isolation would result in a significantly different fair value measurement.

2) ***Discount Rate.*** The discount rates used to determine the valuation are estimated using the Capital Asset Pricing Model, or CAPM. Melinta evaluates quantitative and qualitative factors at each valuation date that help Melinta assess the level of risk in Melinta's assumptions and Melinta adjusts its discount rates accordingly. Melinta applies discreet discount rates by series and tranche of stock.

3) ***Discount for Lack of Marketability***. The Discount for Lack of Marketability, or DLOM, factors for Melinta's preferred and common stock are estimated using both quantitative and qualitative methods and have generally declined as Melinta approaches a potential liquidity event. Melinta applies a separately determined DLOM for each series of preferred stock as well as for common stock.

Preferred Stock Warrants

In connection with a loan and security agreement entered into during 2014 with Hercules Growth Technologies, Melinta issued preferred stock warrants. Melinta accounts for the freestanding warrants to purchase shares of convertible preferred stock at fair value as liabilities in the balance sheets, as such warrants provide the holders with "down-round" protection and can be settled

on a net basis. Melinta uses a Black-Scholes model to estimate the fair value of the preferred stock warrant liability based on the estimated fair value of Melinta's Series 3 preferred shares derived from the PWERM (discussed above in Common Stock Valuation). The value of the preferred stock warrant liability is adjusted to its estimated fair value at each reporting period. During the nine months ended September 30, 2017, Melinta recorded $0.3 million in net unrealized gains related to decreases in the fair value of this liability. As of September 30, 2017, the fair value of the preferred stock warrant liability was $0.3 million.

Inventory

Inventory is stated at the lower of cost or estimated net realizable value. We currently use actual costing to determine the cost basis for its inventory. Inventory is valued on a first-in, first-out basis and consists primarily of third-party manufacturing costs, overhead and related transportation costs. We capitalize inventory costs associated with our products upon regulatory approval when, based on management's judgment, future commercialization is considered probable and the future economic benefit is expected to be realized; otherwise, such costs are expensed. We review inventories on hand at least quarterly and record provisions for estimated excess, slow-moving and obsolete inventory, as well as inventory with a carrying value in excess of net realizable value.

As of September 30, 2017, inventory on the Company's balance sheet represented the cost of certain raw material and work-in-process inventory that the Company incurred after the FDA approval of Baxdela on June 19, 2017. At September 30, 2017, the Company had incurred other costs for manufacturing this inventory; however, such costs were incurred prior to the FDA approval of Baxdela and, therefore, were recognized as research and development expense in earlier periods. Consequently, profit margins reported from the initial sales of Baxdela will not be representative of margins the Company expects to achieve after the first commercial batches of inventory are consumed. Costs of drug product to be consumed in any current or future trials will continue to be recognized as research and development expense.

Results of Operations (all amounts in thousands)

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

The following table summarizes Melinta's results of operations for the three months ended September 30, 2017 and 2016:

	Three Months Ended September 30,		Increase (Decrease)	
	2017	2016	Dollars	Percent
Revenue	$ 3,191	$ —	$3,191	100%
Research and development	$ 10,884	$ 9,888	$ 996	10.1%
Selling, general and administrative	$ 10,304	$ 4,114	$6,190	150.5%
Total other expense, net	$ 1,639	$ 664	$ 975	146.8%

Revenue

During the three months ended September 30, 2017, Melinta recognized revenue from the Menarini agreement of $3.2 million related to the cost-sharing arrangement for expenses incurred during the third quarter of 2017. Because we are delivering development services over a period of time as the clinical trials progress, we expect to continue to recognize cost-sharing revenue under this arrangement for the next few years over the estimated development period.

Research and development expenses

Our research and development expenses for the three months ended September 30, 2017 and 2016 were $10.9 million and $9.9 million, respectively. There have been two primary areas of focus for us in the three months ended September 30, 2017 and 2016. The first area of focus and the primary cost driver has been the clinical development and FDA approval of Baxdela, our lead product candidate. The second area of focus has been the pre-clinical activity (Discovery) for the ESKAPE pathogen program as we work to select a lead program candidate with an optimal efficacy and safety profile.

We do not allocate personnel-related costs, including stock-based compensation or other indirect costs, to specific programs as they are deployed across multiple projects under development and, as such, are included as other development or discovery expenses in the table below. The following table summarizes our research, development and discovery costs by clinical program for the three months ended September 30, 2017 and 2016, respectively:

	Three Months Ended September 30,		Increase/(Decrease)	
	2017	2016	Dollars	Percentage
Research and Development Expenses:				
Development				
Phase 3 ABSSSI Intravenous/Oral study	$ —	$ 175	$ (175)	(100.0%)
Phase 3 CABP study	5,530	1,300	4,230	325.4%
Other development expenses	2,890	5,133	(2,243)	(43.7%)
Total development research and development expenses	8,420	6,608	1,812	27.4%
Discovery				
External expenses	742	1,361	(619)	(45.5%)
Other discovery expenses	1,722	1,919	(197)	(10.3%)
Total discovery research and development expenses	2,464	3,280	(816)	(24.9%)
Total research and development expenses	$ 10,884	$ 9,888	$ 996	10.1%

In total, our research and development costs increased in 2017 over 2016 by $1.0 million, or 10.1%. The increase is due primarily to $4.2 million of incremental expense for our Phase 3 clinical study of Baxdela for CABP, which was partially offset by reduced expense due to the conclusion of the Phase 3 ABSSSI clinical study and lower expenses related to the development of the ESKAPE pathogen program.

Development expenses for our Phase 3 clinical study for ABSSSI, testing the intravenous and oral forms of Baxdela, decreased in 2017 versus 2016 by $0.2 million. The study was completed in 2016 and no costs were incurred in 2017. We do not expect to incur any additional costs related to this study.

Development expenses for the Phase 3 CABP clinical trial increased by $4.2 million, or 325.4%, in 2017 from 2016, driven by steady patient enrollment during 2017. While the study was active for the entire year of 2016, we did not ramp up study activity until late in 2016 with the first patient enrollment in December 2016. As such, we expect that in 2017 and 2018 we will incur a significant level of expenses associated with this study.

Other development costs decreased in the three months ended September 30, 2017, by $2.2 million, or 43.7%, versus 2016. This decrease was due to lower expense of $0.6 million for drug production as the costs of manufacturing were capitalized in inventory after the June 2017 FDA approval of Baxdela, and NDA-related expenses of $1.4 million incurred in 2016 that were not repeated in 2017.

External costs for our discovery program represent research and support work performed by third parties. These costs decreased $0.6 million, or 45.5%, year over year due to the use of lower cost vendors for external analysis in 2017 as compared to 2016 as well as shifting some work previously done externally to internal personnel.

Other discovery costs represents internal costs of research, including salaries, benefits, other compensation, laboratory expenses and facility costs, as well as expenses to maintain our interests in antibiotic candidates. These costs decreased by $0.2 million, or 10.3%, in 2017 over 2016 due principally to lower external testing expense.

Selling, general and administrative expenses

SG&A expenses were $10.3 million and $4.1 million for the three months ended September 30, 2017 and 2016, respectively. The increase of $6.2 million, or 150.5%, was primarily driven by a $3.5 million increase in marketing and other costs to support our commercial launch of Baxdela, revenue-sharing payments associated with the license of rights to Baxdela to Menarini of $1.6 million, increases in legal expenses of $0.9 million and increases in administrative personnel-related costs of $0.7 million. These increases were partially offset by lower finance-related fees of $0.5 million.

Other expense (income)

For the three months ended September 30, 2017, we recognized other expense of $1.6 million as compared with the three months ended September 30, 2016, when we recognized other expense of $0.7 million, driven by the following:

- *Interest expense*—Interest expense for the three months ended September 30, 2017 and 2016, was $2.4 million and $1.2 million, respectively. Interest expense includes both cash and non-cash components of interest expense. The cash portion of interest expense was $0.7 million in 2017, an increase of $0.1 million, due to higher debt balances. The non-cash portion of interest was $1.7 million in 2017, an increase of $1.1 million, driven primarily by $68.6 million in convertible promissory notes that we issued in the second half of 2016 and first half of 2017. This interest is categorized as non-cash because in the next round of equity financing, all outstanding principal, as well as accrued interest, will convert into shares of our stock. In addition and to a lesser extent, non-cash interest includes the amortization of debt issuance costs.
- *Change in fair value of warrant liability*—We adjust the carrying value of the warrant liability to the estimated fair value at each reporting period. Increases or decreases in the fair value of the warrant liability are recorded within other expense (income) in the statement of operations. We recognized $0.7 million and $0.4 million of other income in the three months ended September 30, 2017 and 2016, respectively.
- *Other*—The Company participates in a Connecticut tax credit program whereby we can claim either cash payments or future tax credits based on qualifying expenditures. We have historically chosen the cash payment incentive and expect to continue to do so in future periods as the tax code allows. This tax credit comprises the majority of the other income for both periods.

Comparison of the Nine Months Ended September 30, 2017 and 2016

The following table summarizes Melinta's results of operations for the nine months ended September 30, 2017 and 2016:

	Nine Months Ended September 30,		Increase (Decrease)	
	2017	2016	Dollars	Percent
Revenue	$ 29,633	—	$29,633	100.0%
Research and development	$ 37,876	$ 33,489	$ 4,387	13.1%
Selling, general and administrative	$ 25,976	$ 14,824	$11,152	75.2%
Total other expense, net	$ 5,917	$ 3,237	$ 2,680	82.8%

Revenue

During the nine months ended September 30, 2017, we recognized revenue from the Menarini agreement of $29.6 million, of which $19.9 million related to an upfront licensing fee and $9.7 million related to the cost-sharing arrangement for expenses incurred during the first half of 2017.

Research and development expenses

Our research and development expenses for the nine months ended September 30, 2017 and 2016, were $37.9 million and $33.5 million, respectively. There have been two primary areas of focus for us in the nine months ended September 30, 2017 and 2016. The first area of focus and the primary cost driver has been the clinical development and FDA approval of Baxdela, our lead product candidate. The second area of focus has been the pre-clinical activity for the ESKAPE pathogen program as Melinta works to select a lead program candidate with an optimal efficacy and safety profile.

We do not allocate personnel-related costs, including stock-based compensation or other indirect costs, to specific programs as they are deployed across multiple projects under development and, as such, are included as other development or discovery expenses in the table below. The following table summarizes our research, development and discovery costs by clinical program for the nine months ended September 30, 2017 and 2016, respectively:

	Nine Months Ended September 30,		Increase/(Decrease)	
	2017	2016	Dollars	Percentage
Research and Development Expenses:				
Development				
Phase 3 ABSSSI Intravenous/Oral study	$ —	$ 3,395	$ (3,395)	(100.0%)
Phase 3 CABP study	17,675	4,968	12,707	255.8%
Other development expenses	12,629	14,285	(1,656)	(11.6%)
Total development research and development expenses	30,304	22,648	7,656	33.8%
Discovery				
External expenses	2,030	3,471	(1,441)	(41.5%)
Other discovery expenses	5,542	7,370	(1,828)	(24.8%)
Total discovery research and development expenses	7,572	10,841	(3,269)	(30.2%)
Total research and development expenses	$ 37,876	$ 33,489	$ 4,387	13.1%

In total, our research and development costs increased in 2017 over 2016 by $4.4 million, or 13.1%. The increase is due primarily to $12.7 million of incremental expense for our Phase 3 clinical study of Baxdela for CABP, which was partially offset by reduced expense due to the conclusion of the Phase 3 ABSSSI clinical study and lower expenses related to the development of the ESKAPE pathogen program.

Development expenses for our Phase 3 clinical study for ABSSSI, testing the intravenous and oral forms of Baxdela, decreased in 2017 versus 2016 by $3.4 million. The study was completed in 2016 and no costs were incurred in 2017. We do not expect to incur any additional costs related to this study.

Development expenses for the Phase 3 CABP clinical trial increased by $12.7 million, or 255.8%, in 2017 from 2016, driven by steady patient enrollment during 2017. While the study was active for the entire year of 2016, we did not ramp up study activity until late in 2016 with the first patient enrollment in December 2016. As such, we expect that in 2017 and 2018 it will incur a significant level of expenses associated with this study.

Other development costs decreased in the nine months ended September 30, 2017, by $1.7 million, or 11.6%, versus 2016. This decrease was due principally to expenses of $2.4 million related to preparation of the NDA for Baxdela incurred in 2016 that were not incurred in 2017. These decreases were partially offset by higher expenses for Health Economics and Outcomes Research (“HEOR”), surveillance and automated susceptibility testing as we prepared for the launch of Baxdela.

External costs for our discovery program represent research and support work performed by third parties. These costs decreased $1.4 million, or 41.5%, year over year due to the use of lower cost vendors for external analysis in 2017 as compared to 2016 as well as shifting some work previously done externally to internal personnel.

Other discovery costs represents internal costs of research, including salaries, benefits, other compensation, laboratory expenses and facility costs, as well as expenses to maintain our interests in antibiotic candidates. These costs decreased by $1.8 million, or 24.8%, in 2017 over 2016 due to an option fee that we paid in 2016 in connection with our radezolid program of $0.9 million that was not repeated in 2017, and lower external testing expense.

Selling, general and administrative expenses

SG&A expenses were $26.0 million and $14.8 million for the nine months ended September 30, 2017 and 2016, respectively. The increase of $11.2 million, or 75.2%, was primarily driven by a $6.2 million increase in marketing and other costs to support the commercial launch of Baxdela, revenue-sharing payments associated with the license of rights to Baxdela to Menarini of $1.6 million, increases in legal expenses of $1.3 million (driven by expenses related to the merger), increases in patent-related expenses of $0.7 million and increases in administrative personnel-related costs of $0.8 million.

Other expense (income)

For the nine months ended September 30, 2017, we recognized other expense of $5.9 million as compared with the nine months ended September 30, 2016, when we recognized other expense of $3.2 million, driven by the following:

- *Interest expense*—Interest expense for the nine months ended September 30, 2017 and 2016, was $5.8 million and $2.9 million, respectively. Interest expense includes both cash and non-cash components of interest expense. The cash portion of interest expense was $1.6 million in 2017, a decrease of $0.3 million, due to declining balance of the 2014 Loan Agreement as we made principal payments during 2016 and 2017. The non-cash portion of interest was $4.2 million in 2017, an increase of $3.1 million, driven primarily by $68.6 million in convertible promissory notes that we issued in the second half of 2016 and first half of 2017. This interest was categorized as non-cash because in the next round of equity financing, all outstanding principal, as well as accrued interest, would convert into shares of our stock. In addition and to a lesser extent, non-cash interest includes the amortization of debt issuance costs.
- *Change in fair value of tranche assets and liabilities*—We adjust the carrying value of the Convertible Preferred Stock tranche obligations to the estimated fair value at each reporting period. Increases or decreases in the fair value of tranche obligations are recorded within other income (expense) in the statement of operations. We recognized $1.3 million of expense in the nine months ended September 30, 2016, upon issuance of the final tranche of Series 4 preferred stock in March 2016. We have not recorded a tranche asset or liability since that date.
- *Change in fair value of warrant liability*—We adjust the carrying value of the warrant liability to the estimated fair value at each reporting period. Increases or decreases in the fair value of the warrant liability are recorded within other expense (income) in the statement of operations. We recognized $0.3 million and $0.8 million of income in the nine months ended September 30, 2017 and 2016, respectively.
- *Other*—The Company participates in a Connecticut tax credit program whereby we can claim either cash payments or future tax credits based on qualifying expenditures. We have historically chosen the cash payment incentive and expect to continue to do so in future periods as the tax code allows. This tax credit comprises the majority of the other income for both periods.

Liquidity and Capital Resources

Prior to November 2012, Melinta was primarily capitalized through the sale of convertible notes and preferred stock. In November 2012, the Company was recapitalized under the ownership of a new lead investor. The convertible notes and preferred stock issued prior to November 2012 were restructured at the time of the recapitalization. Since the November 2012 recapitalization through September 30, 2017, we have obtained funding primarily through sales of convertible preferred stock, loans and business development transactions. As of September 30, 2017, we held cash and cash equivalents of $12.4 million to fund operations.

We have also funded our operations with debt financing. As of September 30, 2017, we had $40.0 million in outstanding debt under a Loan and Security Agreement, dated as of May 2, 2017, ("2017 Loan Agreement") under which the lender has made available up to $80.0 million in debt financing in four separate tranches and up to $10.0 million in equity financing (see Note 3 to the unaudited condensed consolidated financial statements).

On November 3, 2017, Melinta completed the merger with Cempra. The combined company has cash and cash equivalents in excess of $155.0 million, which, in management's view, is adequate to fund operations within the next 12 months, including on-going research & development, the production of commercial quantities of Baxdela, and the launch of our commercial strategy for Baxdela. The company expects to begin selling Baxdela in early 2018, which will provide a new, and growing, source of cash. The company also intends to secure additional operating funds, as needed, through new equity financings and/or new debt. However, there can be no assurance that adequate financing under acceptable terms will be available as needed.

In the event that the Company closes the Acquisition entered into on November 28, 2017, we will fund the transaction with a combination of debt and equity, such that funding for on-going operations, discussed above, will not be affected.

The following table provides a summary of our cash position as of each of the period-end dates and the cash flows for each of the periods presented below (in thousands):

	Nine Months Ended September 30,	
	2017	2016
	(unaudited)	
Cash, cash equivalents and restricted cash as of end of the period	$ 12,393	$ 20,540
Cash provided by (used in):		
Operating activities	(33,603)	(47,918)
Investing activities	(4,291)	(444)
Financing activities	38,878	38,744

Operating Activities

Net cash used in operating activities for the nine months ended September 30, 2017 and 2016, was $33.6 million and $47.9 million, respectively. For both periods presented, the primary use of cash was to fund development and discovery research activities for our product candidates and to support our selling, general and administrative functions. We used $14.3 million less in operations during the 2017 period due primarily to amounts received from Menarini and Eurofarma under the license arrangements, partially offset by higher cash-based operating expenses, the net of which was $12.1 million. In addition, the decrease in cash used in operations was due to favorable changes in working capital accounts year over year totaling $2.2 million.

Investing Activities

Net cash used in investing activities was $4.3 million and $0.4 million for the nine months ended September 30, 2017 and 2016, respectively. Subsequent to the FDA approval of Baxdela in June 2017, we made $3.5 million in milestone payments for intellectual property rights in connection with the FDA approval of Baxdela. These payments were capitalized as intangible assets and will be amortized over the estimated useful life of the related intellectual property. Other cash used in investing activities in both of these periods was primarily for capital expenditures for facility improvements, lab equipment, software and office furniture and equipment.

Financing Activities

Net cash provided by financing activities for the nine months ended September 30, 2017 and 2016, was $38.9 million and $38.7 million, respectively. During the nine months ended September 30, 2017, cash provided by financing activities related primarily to the issuance of convertible promissory notes totaling $24.5 million and the refinancing of the 2014 Loan Agreement, replacing it with the 2017 Loan Agreement, under which the Company borrowed $40.0 million. During the nine months ended September 30, 2016, cash provided by financing activities was comprised primarily of the issuance of notes payable of $27.8 million and preferred stock financing of $13.6 million, partially offset by repayments of notes payable of $2.7 million.

Funding Sources and Requirements

We expect to launch Baxdela in the United States in early 2018, from which we expect to generate significant product sales and associated cash in 2018. In addition, Melinta receives reimbursement from Menarini under the license agreement for a portion of Melinta's ongoing Phase 3 CABP clinical trial development expenses. We receive such reimbursement within one quarter of the

recognition of the expenses. Through September 30, 2017, we were entitled to total reimbursement of $9.7 million, of which Melinta had received $2.8 million. In addition, the Company is exploring other partnerships and collaborations to assist it with funding certain of its early-stage research and development programs.

We do not expect to generate revenue from any other product candidates under development unless and until we successfully commercialize our products or enter into additional collaborative agreements with third parties.

We expect to continue to incur significant losses for the foreseeable future and expect the losses to increase as we continue the development of, and seek regulatory approvals for, our product candidates, continue to advance products generated from the ESKAPE pathogen program platform and commercialize any approved products. We are also subject to the risks associated with the development of new therapeutic products, and we may encounter unforeseen expenses, difficulties, complications, delays and other unknown factors that may adversely affect Melinta's business operations. Additionally, upon completion of the merger, we expect to incur additional costs associated with operating as a public company and may need substantial additional funding in connection with Melinta's continuing operations, commercial, discovery and product development activities.

The Company believes that, after the merger, existing cash balances and other sources of cash, discussed above, will be sufficient to fund our operations requirements for at least the next 12 months. However, we may need to raise additional funds sooner to support the working capital requirements of a commercialized product and to fund further development of the other product candidates.

We intend to use our combined cash and cash equivalents, as follows:

- to fund the activities supporting the commercialization for Baxdela for the treatment of ABSSSI;
- to fund the Phase 3 trial and advance its product candidate Baxdela for the treatment of hospital treated CABP;
- to fund the scale-up of manufacturing operations and manufacture Baxdela to meet both commercial and clinical demand;
- to pursue additional indications for Baxdela;
- to fund research activities for preclinical product candidates, IND-enabling studies and development activities for the ESKAPE pathogen program; and
- the remainder for working capital, general and administrative expenses, future internal research and development expenses and other general corporate purposes.

In addition, we may also use a portion of our cash and cash equivalents for the acquisition of, or investment in, companies, technologies, products or assets that complement our business. In December 2014, we entered into a license agreement with a CRO to develop a molecule, radezolid, for dermatological applications. Under the terms of the agreement, development of the product is funded by the CRO. We, however, retain the right, at certain agreed upon milestones, to agree to co-develop or take full responsibility for the development program based on pre-determined payments to the CRO. In March 2016 and February 2017, we paid $0.9 million and $0.5 million, respectively, in license payments to the CRO under this agreement. In addition, in November we entered into an agreement to acquire the IDB of The Medicines Company (see Recent Developments section above).

Until we can generate a sufficient amount of revenue from our products, if ever, we expect to finance our future cash needs through public or private equity or debt financings, or through other sources such as potential collaboration and license agreements. In any event, we do not expect to achieve significant revenue from product sales prior to 2018.

Off-Balance Sheet Arrangements

During the periods presented, we did not have, nor do we currently have, any off-balance sheet arrangements as defined under the applicable rules of the SEC.

Contractual Obligations and Commitments

During the nine months ended September 30, 2017, there have been no material changes to our contractual obligations and commitments outside the ordinary course of business from those specified in our 2016 Annual Report.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Fluctuation Risk

The primary objective of our investment activities is to preserve our capital to fund its operations. We also seek to maximize income from its cash and cash equivalents without assuming significant risk. To achieve these objectives, we invest our cash and cash equivalents in money market funds. We do not enter into investments for trading or speculative purposes. We do not believe that an immediate 1% increase in interest rates would have a material effect on the fair value of our cash equivalents, and therefore, we do not expect its operating results or cash flows to be materially affected to any degree by a sudden change in market interest rates.

On September 30, 2017, we had $40.0 million aggregate principal amount outstanding under its loan agreement with Oberland Capital. The loan bears interest at a rate of the greater of 8.25% or the sum of 8.25% plus the prime rate minus 4.5% per annum, and as such is variable based on fluctuations in the prime rate. As a result, increases in interest rates may increase the cost of servicing the loan agreement and could materially reduce its profitability and cash flows. As September 30, 2017, the prime rate was approximately 25 basis points below the rate necessary for the interest rate on the loan agreement to exceed the 8.25% minimum interest rate described above. As a result, the fair value of the loan agreement will not change significantly until the prime rate exceeds 4.5%. A 1.0% increase in the prime rate would result in an additional $0.3 million in interest expense in the first year of the loan.

Foreign Currency Exchange Rate Fluctuations

To date, the vast majority of our contractual obligations have been denominated in U.S. dollars. In the future, we may contract with organizations such as CROs or contract manufacturers in foreign countries. We may therefore become subject to fluctuations in foreign currency exchange rates in connection with these agreements.

Melinta's agreement with Menarini requires that they pay commercial and regulatory milestones of approximately €90.0 million over time as the milestones are achieved. The cash we receive from these payments is subject to fluctuations in foreign currency exchange rates between the Euro and U.S. dollar. The agreement establishes a fixed exchange rate such that the U.S. dollars that we will receive will not fluctuate with market exchange rates unless and until the market rate varies by more than 10% from the rate established in the agreement. As of September 30, 2017, if Menarini had met the first €5.0 million milestone, we would have received $5.3 million, which is based on the contractual rate in the agreement. If the €5.0 million milestone was met and paid based on the actual exchange rate as of September 30, 2017, the milestone payment in U.S. dollars would have been higher by $0.6 million.

Inflation

Inflation generally affects us by increasing its cost of labor and clinical trial costs. We do not believe that inflation has had a material effect on its business, financial condition or results of operations during the periods presented.

Exhibit 99.4

UNAUDITED PRO FORMA COMBINED FINANCIAL STATEMENTS

Melinta Therapeutics, Inc. Unaudited Pro Forma Combined Financial Information

The unaudited pro forma combined financial statements give effect to the merger with Cempra, Inc. that closed on November 3, 2017 (the "Merger"). The term "the combined company" as used in this proxy statement refers to the new Melinta Therapeutics, Inc. following the Merger. The unaudited pro forma combined financial information was prepared in accordance with the regulations of the SEC.

The following unaudited pro forma combined financial information gives effect to the merger of a wholly-owned subsidiary of Cempra, Inc., or Cempra, with and into Melinta Therapeutics, Inc., or Melinta, who survived as a wholly-owned subsidiary of Cempra in a transaction that was accounted for as a reverse acquisition under the acquisition method of accounting in accordance with GAAP. For accounting purposes, Melinta acquired Cempra, even though legally Cempra was the issuer of the common stock in the merger.

The unaudited pro forma combined balance sheet at September 30, 2017, and the unaudited pro forma combined statement of operations for the nine months ended September 30, 2017, and the year ended December 31, 2016, presented herein are based on the historical financial statements of Melinta and Cempra after giving effect to the acquisition (for accounting purposes) of Cempra by Melinta and the assumptions and adjustments described in the accompanying notes to these unaudited pro forma combined financial information.

Melinta was determined to be the accounting acquirer after consideration of the terms of the merger agreement and other factors, including: (i) Melinta security holders owned approximately 52% of the voting interests of the combined company immediately following the closing of the transaction and (ii) directors of Melinta were responsible for electing the chairman of the board for the combined company. Accordingly, the merger transaction has been accounted for by Melinta as a reverse merger acquisition under the acquisition method of accounting for business combinations.

Accordingly, the acquisition consideration is based on Cempra's share price and shares of common stock outstanding as more fully described in the accompanying notes to the unaudited pro forma combined financial information. Under the reverse acquisition method of accounting, the total purchase price is allocated to the acquired tangible and intangible assets and assumed liabilities of Cempra based on their estimated fair values as of the merger closing date. The excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. Alternatively, a bargain purchase gain is recognized if the aggregate fair value of the identifiable assets acquired and liabilities assumed exceeds the purchase price for the acquisition. The assets and liabilities and results of operations of Cempra will be consolidated into the results of operations of Melinta as of the effective date of the merger. The pro forma adjustments reflecting the completion of the merger are based upon the acquisition method of accounting in accordance with GAAP and upon the assumptions set forth in the accompanying notes to the unaudited pro forma combined financial information.

The unaudited pro forma combined balance sheet as of September 30, 2017, gives effect to the merger as if it occurred on September 30, 2017, and reflects the acquisition of Cempra by Melinta. The unaudited pro forma combined statements of operations for the nine months ended September 30, 2017, and for the year ended December 31, 2016, are presented as if the merger was consummated on January 1, 2016, and combines the historical results of Melinta and Cempra for the nine months ended September 30, 2017, and the year ended December 31, 2016.

Pro Forma Basis and Presentation

The unaudited pro forma combined financial information does not give effect to the potential impact of current financial conditions, regulatory matters, operating efficiencies or other savings or expenses that may be associated with the Merger or the Acquisition, or with the integration of the companies. The unaudited pro forma combined financial information has been prepared for illustrative purposes only and is not necessarily indicative of the financial position or results of operations in future periods or the results that would have been realized had Melinta been a combined company during the specified periods.

The historical financial information has been adjusted to give pro forma effect to events that are (i) directly attributable to the Merger, (ii) factually supportable, and (iii) with respect to the statement of operations, expected to have a continuing impact on the combined results. The application of the acquisition method of accounting is dependent upon certain valuations that have yet to be completed. Accordingly, the pro forma adjustments are preliminary and based on management's estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition and certain other adjustments. Therefore, pro forma adjustments reflected in the unaudited pro forma combined financial information are subject to further revision as additional information becomes available and additional analyses are performed, and have been made solely for the purpose of providing the unaudited pro forma combined financial information. Differences between the preliminary adjustments reflected in the unaudited pro forma combined financial information and the final application of the acquisition method of accounting, which is expected to be completed as soon as practicable after the closing of the merger and acquisition, may arise and those differences could have a material impact on the accompanying unaudited pro forma combined financial information and the combined company's future results of operations and financial position. The amounts of acquisition consideration, assets acquired and liabilities assumed that will be used in acquisition accounting will be based on their respective fair values as determined at the time of closing, and may differ significantly from these estimates.

The unaudited pro forma combined financial information, including the notes thereto, should be read in conjunction with the Melinta historical audited consolidated financial statements for the year ended December 31, 2016, and the unaudited condensed and consolidated financial statements for the nine months ended September 30, 2017, included on Form 8-K filed with the SEC on December 5, 2017. They should also be read in conjunction with the Cempra historical audited consolidated financial statements included in its Annual Report on Form 10-K for the year ended December 31, 2016, as amended by Amendment No. 1 on Form 10-K/A, both of which have been filed with the SEC, and its historical unaudited consolidated financial statements included in its Quarterly Report on Form 10-Q for the nine months ended September 30, 2017, which has also been filed with the SEC.

Unaudited Pro Forma Condensed Combined Balance Sheet
As of September 30, 2017

(In thousands)	Historical Melinta	Historical Cempra	Pro Forma Adjustments	Notes	Melinta Unaudited Pro Forma Combined
Assets					
Current assets					
Cash and cash equivalents	$ 12,193	$ 176,134	$ (10,555)	(A)	$ 177,757
			(15)	(B)	
Receivables	7,525	2,803	—		10,328
Inventory	5,997	—	—		5,997
Prepaid expenses and other current assets	2,304	833	—		3,137
Total current assets	28,019	179,770	(10,570)		197,219
Property and equipment, net	1,538	27	—		1,565
Developed product rights, net	—	—	29,200	(C)	29,200
Other intangible assets	7,500	—	11,200	(C)	18,700
Goodwill	—	—	—		—
Other assets	1,103	83	—		1,186
Total assets	$ 38,160	$ 179,880	$ 29,830		$ 247,870
Liabilities					
Current liabilities					
Accounts payable	$ 12,443	$ 6,665	$ —		$ 19,108
Accrued expenses	16,310	2,322	10,725	(D)	29,357
Accrued interest on note payable	275	—			275
Long-term debt, current portion	—	6,667	(6,667)	(A)	—
Contingent purchase price - current portion	—	—	—		—
Preferred stock warrants	339	—	(339)	(E)	—
Total current liabilities	29,367	15,654	3,719		48,740
Long term liabilities					
Notes payable	39,206	—	—		39,206
Convertible promissory notes	73,101	—	(73,101)	(F)	—
Deferred revenue	10,008	16,987	—		26,995
Deferred purchase price					
Contingent purchase price					—
Other liabilities	—	—	—		—
Long-term debt, net of current	—	3,682	(3,682)	(A)	—
Total liabilities	151,682	36,323	(73,064)		114,941
Convertible preferred stock	217,220	—	(217,220)	(G)	—
Shareholders' Equity					
Common stock	1	53	(53)	(H)	22
			11	(I)	
			10	(J)	
Additional paid-in capital	223,137	626,001	(626,001)	(H)	640,526
			(15)	(B)	
			339	(E)	
			73,101	(F)	
			217,220	(G)	
			126,754	(I)	
			(10)	(J)	
Accumulated other comprehensive (loss) income	—	—	—		—
Accumulated deficit	(553,880)	(482,497)	482,497	(H)	(507,619)
			(206)	(A)	
			(10,725)	(D)	
			57,192	(K)	
Total shareholders' (deficit) equity	(330,742)	143,557	320,114		132,929
Total liabilities and shareholders' (deficit) equity	$ 38,160	$ 179,880	$ 29,830		$ 247,870

Unaudited Pro Forma Condensed Combined Statement of Operations
For the nine months ended September 30, 2017
(in thousands, except per share amounts)

	Historical Melinta	Historical Cempra	Pro Forma Adjustments	Notes	Melinta Unaudited Pro Forma Combined
Revenue					
Product revenue					
License	$ 19,905	$ —			$ 19,905
Collaboration	9,728	—			9,728
Contract research	—	7,449			7,449
Total revenue	$ 29,633	$ 7,449			$ 37,082
Operating expenses					
Cost of product revenue					
Research and development	37,876	28,338			66,214
General and administrative	25,976	21,291	(6,532)	(L)	44,468
			3,733	(M)	
Restructuring charge	—	3,553			3,553
Total operating expenses	$ 63,852	$ 53,182	$ (2,799)		$114,235
Loss from operations	$(34,219)	$(45,733)	$ 2,799		$ (77,153)
Other income (expenses)					
Interest income	25	896			921
Interest expense	(5,765)	(677)	4,126	(N)	(2,316)
Loss on extinguishment of debt	(607)	—	(206)	(N)	(813)
Change in fair value of warrant liability	335	—	(335)	(O)	—
Other income	95	—			95
Other income (expense), net	$ (5,917)	$ 219	$ 3,585		$ (2,113)
Net loss before income taxes	$(40,136)	$(45,514)	$ 6,384		$ (79,266)
Benefit for income taxes	—	—	—		—
Net Loss	$(40,136)	$(45,514)	$ 6,384		$ (79,266)
Accretion of preferred dividends	(17,161)	—	17,161	(P)	—
Net loss available to common shareholders	$(57,297)	$(45,514)	$ 23,545		$ (79,266)
Basic and diluted net loss attributable to common shareholders per share	$ (45.26)	$ (0.87)			$ (3.63)
Basic and diluted weighted-average shares outstanding	1,266	52,471	(31,887)	(Q)	21,850

Pro Forma Condensed Combined Statement of Operations
For the year ended December 31, 2016
(in thousands, except per share amounts)

	Historical Melinta	Historical Cempra	Pro Forma Adjustments	Notes	Melinta Unaudited Pro Forma Combined
Revenue					
Product revenue					
License	$ —	$ 4,339			$ 4,339
Contract research	—	13,677			13,677
Total revenue	$ —	$ 18,016			$ 18,016
Operating expenses					
Cost of product revenue					
Research and development	49,791	81,686			131,477
General and administrative	19,410	53,538	7,467	(M)	80,415
Total operating expenses	$ 69,201	$ 135,224	$ 7,467		$ 211,892
Loss from operations	(69,201)	(117,208)	(7,467)		(193,876)
Other income (expenses)					
Interest income	30	475			505
Interest expense	(4,406)	(1,228)	2,244	(N)	(3,390)
Change in fair value of tranche assets and liabilities	(1,313)	—			(1,313)
Change in fair value of warrant liability	781	—	(781)	(O)	—
Other	177	—			177
Other income (expense), net	$ (4,731)	$ (753)	$ 1,463		$ (4,021)
Net loss before income taxes	$(73,932)	$(117,961)	$ (6,004)		$(197,897)
Benefit for income taxes	—	—	—		—
Net Loss	$(73,932)	$(117,961)	$ (6,004)		$(197,897)
Accretion of preferred dividends	(21,117)	—	21,117	(P)	—
Net loss available to common shareholders	$(95,049)	$(117,961)	$ 15,113		$(197,897)
Basic and diluted net loss attributable to common shareholders per share	$ (94.29)	$ (2.34)			$ (9.26)
Basic and diluted weighted-average shares outstanding	1,008	50,314	(29,943)	(Q)	21,379

NOTES TO UNAUDITED PRO FORMA COMBINED FINANCIAL INFORMATION

1. Description of Transactions and Basis of Presentation

Description of Transaction

On August 8, 2017, Cempra entered into a merger agreement with Melinta. On November 3, 2017, pursuant to the terms and subject to the conditions set forth in the merger agreement, Melinta was merged into a subsidiary of Cempra and survived as a wholly-owned subsidiary of Cempra (the "Merger"). Cempra was re-named Melinta Therapeutics, Inc. in connection with the Merger.

Immediately prior to the completion of the Merger, the principal and interest under outstanding convertible promissory notes and all outstanding shares of preferred stock, including dividends of Melinta were converted into shares of Melinta common stock. As part of the completion of the Merger, each outstanding share of the common stock of Melinta was converted into the right to receive that number of shares of Cempra common stock as determined pursuant to the exchange ratios described in the merger agreement (except that stockholders of Melinta who are not "accredited investors" under U.S. securities laws or who held fractional shares received cash), and all options, warrants or other rights to purchase shares of capital stock of Melinta, were exchanged for rights to acquire Cempra common stock. No fractional shares of Cempra common stock were issued in connection with the Merger, and holders of Melinta capital stock were entitled to receive cash in lieu thereof.

Upon completion of the Merger, Melinta security holders beneficially own shares of Cempra's common stock representing an aggregate of approximately 52 percent on a fully-diluted basis as calculated under the treasury stock method.

Basis of Presentation

The accompanying pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X and present the pro forma consolidated financial position and results of operations of the combined company based upon the historical financial information of Melinta and Cempra after giving effect to the Merger and the adjustments described in these notes, and are intended to reflect the impact of the combinations on Melinta's consolidated financial information.

The Merger will be accounted for under the acquisition method of accounting in accordance with ASC Topic 805, "Business Combinations" ("ASC 805"). For accounting purposes, Melinta is considered to be acquiring Cempra even though legally Cempra will be the issuer of the common stock in the merger.

The Cempra identifiable assets acquired and liabilities assumed will be recorded at the acquisition-date fair values and added to Melinta's balance sheet. The pro forma adjustments are preliminary and based on management's estimates of the fair value and useful lives of the assets acquired and liabilities assumed and have been prepared to illustrate the estimated effect of the acquisition. These estimates are based on the most recently available information. To the extent there are significant changes to the combined company's business following completion of the Merger, the assumptions and estimates set forth in the unaudited pro forma combined financial statements could change significantly. The allocations are dependent upon certain valuations and other studies that have not been completed for the Merger. Accordingly, the pro forma purchase price adjustments are subject to further adjustments as additional information becomes available and as additional analyses and final valuations are conducted. There can be no assurances that these additional analyses and final valuations will not result in material changes to the estimates of fair value. In addition, differences between the preliminary and final amounts will likely occur as a result of changes in the estimated fair values of tangible and intangible assets acquired and liabilities assumed, including any goodwill or bargain purchase gains recognized, as of the dates that the Merger was completed.

The unaudited pro forma condensed combined balance sheet data gives effect to the Merger as if they occurred on September 30, 2017. The unaudited pro forma combined statement of operations for the nine months ended September 30, 2017, combine the unaudited historical statements of operations of Cempra and Melinta for their respective nine-month periods ended September 30, 2017, and gives pro forma effect to the Merger as if they had been completed on January 1, 2016. The unaudited pro forma combined statement of operations for the year ended December 31, 2016, combine the historical statements of operations of Cempra and Melinta for their respective year ended December 31, 2016, and gives pro forma effect to the Merger as if they had been completed on January 1, 2016.

2. Purchase Price

The purchase price for the merger with Cempra is as follows (in thousands, except share data):

Number of Cempra shares outstanding as of November 3, 2017	10,502,477
10-day weighted average Cempra common stock price as of November 3, 2017	12.07
Total estimated purchase price	126,765

For pro forma purposes, the fair value of consideration transferred was determined based on the closing price of Cempra common stock of $12.07 per share based on the closing price of Cempra common stock on November 3, 2017, the closing date of the Merger. The combined company will expense all transaction costs as incurred.

The preliminary allocation of the purchase price to acquired tangible and intangible assets and liabilities assumed based on their estimated fair values as of September 30, 2017, comprises (in thousands):

Cash and cash equivalents	176,134
Receivables and other assets	3,746
Intangible assets	40,400
Accounts payable, accrued expenses and other liabilities	(36,323)
Net assets acquired	183,957
Less: estimated purchase price	(126,765)
Bargain purchase gain	57,192

The allocation of the purchase price is preliminary. The final determination of the purchase price allocation will be based on the fair values of assets, including identifiable intangible assets acquired, and the fair values of liabilities assumed as of the date that the Merger is completed. Cempra and Melinta believe that the historical values of Cempra's current assets and current liabilities approximate their fair value based on the short-term nature of such items. Cempra's property and equipment consists of assets whose historical cost, less depreciation, is deemed to approximate its fair value. The estimated fair values of the assets acquired and liabilities assumed will remain preliminary until the combined company completes a valuation of significant identifiable intangible assets acquired and determines the fair values of other assets and liabilities. Based on such preliminary valuations, the excess of the purchase price over the fair value of assets acquired and liabilities assumed, if any, is allocated to goodwill. Alternatively, a bargain purchase gain is recognized if the aggregate fair value of the identifiable assets acquired and liabilities assumed exceeds the purchase price for the acquisition. Based on preliminary estimates of the fair value of the assets acquired and liabilities assumed as of September 30, 2017, and the purchase price (based on the closing price of Cempra common stock as of November 3, 2017), the combined company would recognize a bargain purchase gain as of September 30, 2017. The bargain purchase gain of $57,192 is primarily the result of the decrease in the market value of the Cempra common stock since the date that the merger agreement was announced. The bargain purchase gain has not been reflected in the pro forma condensed combined statement of operations as it is directly attributable to the merger and will not have a continuing impact on the operating results of the combined organization.

3. Pro Forma Adjustments

The unaudited pro forma adjustments included in the pro forma condensed combined balance sheet are as follows:

A. Represents the pay-off of Cempra's long-term debt by Cempra as the debt will not be legally assumed by the combined company as part of the merger agreement. There was $10,555 of principal and $206 in unamortized debt issuance costs, resulting in a net reduction of long-term debt of $10,349 as of September 30, 2017.

B. Represents shares repurchased by Cempra.

C. Represents the preliminary estimated fair value of the intangible assets of Cempra acquired by Melinta as part of the proposed merger. These amounts include $29,200 for in-process research and development related to Solithromycin and Fusidic Acid. The fair value of IPR&D acquired through a business combination is capitalized as an indefinite-lived intangible asset until the completion or abandonment of the related research and development activities. When the related research and development is completed, the asset will be assigned a useful life and amortized. An additional $11,200 of intangibles is related to the non-compete agreements related to the executives that will be amortized over 18 months.

D. Represents estimated transaction costs payable in cash of $7,037 and $3,688 that have not been incurred as of September 30, 2017, for Cempra and Melinta, respectively. These pro forma adjustments are not reflected in the unaudited pro forma condensed combined statements of operations as these amounts are not expected to have a continuing effect on the operating results of the combine company.

E. Represents the conversion of Melinta preferred stock warrants into Cempra common stock warrants, eliminating the terms that caused the preferred stock warrants to be accounted for as a liability, and the elimination of the historical changes in the estimated fair value of the warrants that were recognized on the related statements of operations.

F. Represents the conversion of Melinta's convertible bridge notes payable and accrued interest to 3,766,311 shares of Cempra common stock, after applying the conversion of Melinta to Cempra shares, in connection with the merger.

G. Represents the conversion of Melinta's preferred stock to Cempra common stock, after applying the conversion of Melinta common stock to Cempra common stock, in connection with the merger.

H. Represents the elimination of Cempra's historical stockholder's equity.

I. Represents the estimated purchase consideration transferred to Cempra stockholders.

J. Represents an increase in the par value of common stock based on the par value of Cempra common stock to be issued to Melinta shareholders (dollar amounts in thousands, except per share amounts):

Estimated shares of Cempra common stock issued to Melinta shareholders upon close of the transaction	11,433,532
Multiplied by par value per share of Cempra common stock	0.001
Par value of Cempra common stock issued to Melinta shareholders (in thousands)	11
Less historical par value of Melinta common stock	(1)
Net pro forma adjustment to common stock	10

K. Represents the preliminary bargain purchase gain as a result of the transaction, which is subject to change based on information received before transaction closing.

The unaudited pro forma adjustments included in the pro forma condensed combined statements of operation are as follows:

L. Represents the elimination of transaction-related expenses incurred by Melinta and Cempra during the period. These amounts have been eliminated on a pro forma basis, as they are not expected to have a continuing effect on the operating results of the combined company.

M. Represents the amortization of other intangible assets.

N. Represents the elimination of interest expense on the conversion of Melinta's convertible notes into Cempra common stock, as well as the payoff of the long-term debt for Cempra due to the requirements of the merger agreement.

O. Represents the conversion of Melinta preferred stock warrants into Cempra common stock warrants, eliminating the terms that caused the preferred stock warrants to be accounted for as a liability, and the elimination of the historical changes in the estimated fair value of the warrants that were recognized on the related statements of operations.

P. Represents the elimination of the accretion of preferred stock dividends as all outstanding Melinta preferred stock was assumed to be converted to common stock in connection with the merger.

Q. Represents the issuance of Cempra shares to Melinta stockholders in connection with the merger, adjusted for Melinta's historical weighted-average outstanding shares.