
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549**

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2016**

OR

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

For the transition period from _____ to _____

Commission file number: **001-37471**

PIERIS PHARMACEUTICALS, INC.

(Exact name of registrant as specified in its charter)

Nevada
(State or other jurisdiction of
incorporation or organization)

**255 State Street, 9th Floor
Boston, MA
United States**
(Address of principal executive offices)

30-0784346
(I.R.S. Employer
Identification No.)

02109
(Zip Code)

857-246-8998
(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company

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

The number of outstanding shares of the registrant's common stock, par value \$0.001 per share, as of August 7, 2016 was 43,058,827.

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PIERIS PHARMACEUTICALS, INC.
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FOR THE QUARTERLY PERIOD ENDED June 30, 2016
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Currency Presentation and Currency Translation

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

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

Where in this Report we refer to amounts in euros, we have for your convenience also in certain cases provided a conversion of those amounts to U.S. Dollars in parentheses. Where the numbers refer to a specific balance sheet account date or financial statement account period, we have used the exchange rate that was used to perform the conversions in connection with the applicable financial statement. In all other instances, unless otherwise indicated, the conversions have been made using the noon buying rate of €1.00 to U.S. \$1.11038 based on www.oanda.com as of June 30, 2016.

Forward Looking Statements

This section and other parts of this Quarterly Report on Form 10-Q contains forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “Securities Act”), and Section 21E of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), that involve risks and uncertainties, principally in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All statements other than statements of historical fact contained in this Quarterly Report on Form 10-Q, including statements regarding future events, our future financial performance, expectations for growth and revenues, anticipated timing and amounts of milestone and other payments under collaboration agreements, business strategy and plans, objectives of management for future operations, timing and outcome of legal and other proceedings, and our ability to finance our operations are forward-looking statements. We have attempted to identify forward-looking statements by terminology including “anticipates,” “believes,” “can,” “continue,” “ongoing,” “could,” “estimates,” “expects,” “intends,” “may,” “appears,” “future,” “likely,” “plans,” “potential,” “projects,” “predicts,” “should,” “would,” or “will” or the negative of these terms or other comparable terminology. Although we do not make forward-looking statements unless we believe we have a reasonable basis for doing so, we cannot guarantee their accuracy. These statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks outlined under “Risk Factors” or elsewhere in our most recent Annual Report on Form 10-K, which may cause our or our industry’s actual results, levels of activity, performance or achievements expressed or implied by these forward-looking statements to differ materially.

Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time and it is not possible for us to predict all risk factors, nor can we address the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause our actual results to differ materially from those contained in any forward-looking statements. Actual results could differ materially from our forward-looking statements due to a number of factors, including, without limitation, risks related to: the results of our research and development activities, including uncertainties relating to the discovery of potential drug candidates and the preclinical and ongoing or planned clinical testing of our drug candidates; the early stage of our drug candidates presently under development; our ability to obtain and, if obtained, maintain regulatory approval of our current drug candidates and any of our other future drug candidates; our need for substantial additional funds in order to continue our operations and the uncertainty of whether we will be able to obtain the funding we need; our future financial performance; our ability to retain or hire key scientific or management personnel; our ability to protect our intellectual property rights that are valuable to our business, including patent and other intellectual property rights; our dependence on third-party manufacturers, suppliers, research organizations, testing laboratories and other potential collaborators; our ability to successfully market and sell our drug candidates in the future as needed; the size and growth of the potential markets for any of our approved drug candidates, and the rate and degree of market acceptance of any of our approved drug candidates; competition in our industry; and regulatory developments in the U.S. and foreign countries.

You should not place undue reliance on any forward-looking statement, each of which applies only as of the date of this Quarterly Report on Form 10-Q. Before you invest in our securities, you should be aware that the occurrence of the events described in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the year ended December 31, 2015 filed on March 23, 2016 could negatively affect our business, operating results, financial condition and stock price. All forward-looking statements included in this document are based on information available to us on the date hereof, and except as required by law, we undertake no obligation to update or revise publicly any of the forward-looking statements after the date of this Quarterly Report on Form 10-Q to conform our statements to actual results or changed expectations.

PART I — FINANCIAL INFORMATION
CONDENSED CONSOLIDATED BALANCE SHEETS

	<u>June 30,</u> <u>2016</u> <u>(unaudited)</u>	<u>December 31,</u> <u>2015</u>
Assets		
Current assets:		
Cash	\$ 40,374,433	\$ 29,349,124
Prepaid expenses and other current assets	3,505,890	2,311,385
Total current assets	<u>43,880,323</u>	<u>31,660,509</u>
Property and equipment, net	2,446,917	2,162,771
Other non-current assets	127,336	126,781
Total assets	<u>\$ 46,454,576</u>	<u>\$ 33,950,061</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Trade accounts payable	\$ 1,638,220	\$ 1,058,536
Accrued expenses and other current liabilities	2,325,395	1,739,380
Deferred revenues, current portion	2,455,728	—
Total current liabilities	<u>6,419,343</u>	<u>2,797,916</u>
Deferred revenue, net of current portion	2,701,626	—
Other long-term liabilities	42,063	23,852
Total liabilities	<u>9,163,032</u>	<u>2,821,768</u>
Stockholders' equity:		
Common stock, \$0.001 par value per share, 300,000,000 shares authorized and 43,058,827 and 39,833,023 issued and outstanding at June 30, 2016 and December 31, 2015	43,059	39,833
Series A convertible preferred stock, \$0.001 par value per share, 10,000,000 shares authorized and 4,963 and zero issued and outstanding at June 30, 2016 and December 31, 2015	5	—
Additional paid-in capital	128,484,390	112,226,723
Accumulated other comprehensive loss	(1,325,774)	(1,272,574)
Accumulated deficit	(89,910,136)	(79,865,689)
Total stockholders' equity	<u>37,291,544</u>	<u>31,128,293</u>
Total liabilities and stockholders' equity	<u>\$ 46,454,576</u>	<u>\$ 33,950,061</u>

The accompanying notes are an integral part of these condensed consolidated financial statements.4

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenue	\$ 1,072,862	\$ 160,244	\$ 2,319,506	\$ 377,864
Operating expenses				
Research and development	4,500,097	1,725,592	8,159,532	3,250,222
General and administrative	2,368,217	1,969,082	4,336,100	4,363,405
Total operating expenses	6,868,314	3,694,674	12,495,632	7,613,627
Loss from operations	(5,795,452)	(3,534,430)	(10,176,126)	(7,235,763)
Interest (expense), net	—	(53)	—	(4,223)
Other income, net	(87,801)	4,484	131,819	5,253
Loss before income taxes	(5,883,253)	(3,529,999)	(10,044,307)	(7,234,733)
Provision for income tax	—	—	—	—
Net Loss	<u>\$ (5,883,253)</u>	<u>\$ (3,529,999)</u>	<u>\$ (10,044,307)</u>	<u>\$ (7,234,733)</u>
Net loss per share				
Basic and diluted	\$ (0.14)	\$ (0.12)	\$ (0.25)	\$ (0.25)
Weighted average number of common shares outstanding				
Basic and diluted	<u>40,862,608</u>	<u>29,429,522</u>	<u>40,347,816</u>	<u>29,361,566</u>

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

CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS (UNAUDITED)

	<u>Three months ended June 30,</u>		<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Net loss	\$5,883,253	\$3,529,999	\$10,044,307	\$7,234,733
Other comprehensive loss components:				
Foreign currency translation	106,212	102,135	(53,200)	(500,597)
Total other comprehensive loss	106,212	102,135	(53,200)	(500,597)
Comprehensive loss	<u>\$5,777,041</u>	<u>\$3,427,864</u>	<u>\$10,097,507</u>	<u>\$7,735,330</u>

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	<u>Six months ended June 30,</u>	
	<u>2016</u>	<u>2015</u>
Operating activities:		
Net loss	\$(10,044,307)	\$ (7,234,733)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation	82,757	154,555
Stock-based compensation	980,228	485,374
Non-cash restricted shares	—	390,734
Changes in operating assets and liabilities:		
Prepaid expenses and other assets	(1,144,900)	(1,397,628)
Deferred Revenue	5,111,418	—
Trade accounts payable	350,542	897,130
Accrued expenses and other current liabilities	580,908	30,481
Income taxes	—	(2,365)
Net cash used in operating activities	<u>(4,083,354)</u>	<u>(6,676,452)</u>
Investing activities:		
Purchase of property and equipment	<u>(124,608)</u>	<u>(74,286)</u>
Net cash used in investing activities	<u>(124,608)</u>	<u>(74,286)</u>
Financing activities:		
Issuance of Common and Series A Convertible Preferred Stock, net of issuance costs	15,280,672	—
Repayment of debt	<u>—</u>	<u>(1,171,170)</u>
Net cash provided by (used in) financing activities	15,280,672	(1,171,170)
Effect of exchange rate change on cash and cash equivalents	(47,401)	(524,998)
Net increase/(decrease) in cash and cash equivalents	11,025,309	(8,446,906)
Cash and cash equivalents at beginning of year	<u>29,349,124</u>	<u>18,474,211</u>
Cash and cash equivalents at end of quarter	<u>\$ 40,374,433</u>	<u>\$10,027,305</u>
Supplemental cash flow disclosures:		
Cash paid for interest	\$ —	\$ 4,224
Property and equipment, included in accounts payable	\$ 207,068	\$ 0

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

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)**

1. Interim Consolidated Financial Statements

The accompanying unaudited interim condensed consolidated financial statements of Pieris Pharmaceuticals, Inc. (“Pieris” or the “Company”) were prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”) for interim financial information. All significant intercompany balances and transactions have been eliminated in the consolidation. Certain information and footnotes normally included in financial statement prepared in accordance with U.S. GAAP have been omitted pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete annual consolidated financial statements. It is recommended that these financial statements be read in conjunction with the consolidated financial statements and related footnotes that appear in the Annual Report on Form 10-K of the Company for the year ended December 31, 2015 filed with the SEC on March 23, 2016 (the “2015 Annual Report”).

In the opinion of management, the unaudited interim condensed consolidated financial statements have been prepared on the same basis as the audited condensed consolidated financial statements for the year ending December 31, 2015, and all adjustments, including normal recurring adjustments, considered necessary for the fair presentation of the Company’s unaudited interim consolidated financial statements have been included. The results of operations for the six months ended June 30, 2016 are not necessarily indicative of the results that may be expected for the year ending December 31, 2016 or any future period.

Use of estimates

The preparation of the condensed consolidated financial statements in accordance with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities, the reported amounts of revenues and expenses in the financial statements and disclosures in the accompanying notes. Significant estimates are used for, but are not limited to, revenue recognition, deferred tax assets, liabilities and valuation allowances, fair value of stock options and various accruals. Management evaluates its estimates on an ongoing basis. Actual results and outcomes could differ materially from management’s estimates, judgments and assumptions.

2. Critical Accounting Policies

Research and development expenses

Research and development expenses are charged to the statement of operations as incurred. Research and development expenses are comprised of costs incurred in performing research and development activities, including salaries and benefits, facilities costs, pre-clinical and clinical costs, contract services, consulting, depreciation and amortization expense, and other related costs. Costs associated with acquired technology, in the form of upfront fees or milestone payments, are charged to research and development expense as incurred.

3. Revenues

General

Pieris, to date has not generated revenues from product sales. Pieris has generated revenues pursuant to (i) license and collaboration agreements, which include upfront payments for licenses or options to obtain licenses, payments for research and development services and milestone payments, and (ii) government grants.

Multiple element arrangements, such as license and development arrangements are analyzed to determine whether the deliverables, which often include a license and performance obligations such as research and steering committee services, can be separated or whether they must be accounted for as a single unit of accounting in accordance with generally accepted accounting principles, or U.S. GAAP. The Company recognizes up-front license payments as revenue upon delivery of the license only if the license has stand-alone value. If the license is considered to not have stand-alone value, the arrangement would then be accounted for as a single unit of accounting and the license payments and payments for performance obligations are recognized as revenue over the estimated period of when the performance obligations are performed.

If the Company is involved in a steering committee as part of a multiple element arrangement, the Company assesses whether its involvement constitutes a performance obligation or a right to participate. Steering committee services that are determined to be performance obligations are combined with other research services or performance obligations required under an arrangement, if any, in determining the level of effort required in an arrangement and the period over which the Company expects to complete its aggregate performance obligations.

Whenever the Company determines that an arrangement should be accounted for as a single unit of accounting, it must determine the period over which the performance obligations will be performed and revenue will be recognized. Revenue will be recognized using either a relative performance or straight-line method. The Company recognizes revenue using the relative performance method provided that the Company can reasonably estimate the level of effort required to complete its performance obligations under an arrangement and such performance obligations are provided on a best-efforts basis. Full-time equivalents are typically used as the measure of performance.

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If the Company cannot reasonably estimate when its performance obligation either ceases or becomes inconsequential and perfunctory, then revenue is deferred until the Company can reasonably estimate when the performance obligation ceases or becomes inconsequential. Revenue is then recognized over the remaining estimated period of performance.

Significant management judgment is required in determining the level of effort required under an arrangement and the period over which the Company is expected to complete its performance obligations under an arrangement.

F.Hoffmann-La Roche Ltd. and Hoffmann- La Roche Inc.

In December 2015, the Company entered into a Research Collaboration and License Agreement (the “Roche Agreement”) with F.Hoffmann- La Roche Ltd. and Hoffmann- La Roche Inc., (“Roche”), for the research, development and commercialization of Anticalin-based drug candidates against a predefined, undisclosed target in cancer immune therapy. The parties will jointly pursue a preclinical research program with respect to the identification and generation of Anticalins that bind to a specific target for an expected period of 20 months, which may be extended by Roche for up to an additional 12 months. Roche has the ability to continue exclusivity rights for up to an additional 5 years. Both Roche and the Company will participate in a joint research committee in connection with this agreement. Following the research program, Roche will be responsible for subsequent pre-clinical and clinical development of any product developed through the research plan and will have worldwide commercialization rights to any such product.

Roche has paid \$6.5 million of an upfront payment for the research collaboration. Additionally, Roche will pay Pieris for research services provided by Pieris in conjunction with the research program. Roche will also pay Pieris for certain milestones relating to development, regulatory and sales milestones as they are achieved.

Pieris recorded \$1.1 million and \$2.3 million in revenue for the three and six months ended June 30, 2016, respectively, related to the recognition of the upfront Roche payment during those periods. Revenue recognized is associated with the portion of the research services performed during the periods as well as the value of research services provided by Pieris in connection with the ongoing research program. No revenues were recorded for the three and six months ended June 30, 2015.

The Company identified the research and commercial licenses, performance of R&D services, and participation in the joint research committee as deliverables under the Roche Agreement. For revenue recognition purposes, management has determined that there are two units of accounting at the inception of the agreement representing (i) the research and commercial licenses and the performance of R&D services which do not have standalone value, and (ii) the participation in the joint research committee.

In addition to the upfront payment, under the Roche Agreement, the Company is eligible to receive research funding, development and regulatory, and sales based milestone payments up to approximately \$416.8 million, plus royalties on future sales of any commercial products. The total potential milestones are categorized as follows: development and regulatory milestones—\$289.2 million; and sales milestones—\$122.6 million. Management has determined that the development milestones are not substantive because they do not relate solely to past performance of the Company and that the Company’s involvement in the achievement is limited to progress reports and other updates. Non-substantive milestones will be recognized when achieved to the extent the Company has no remaining performance obligations under the arrangement.

4. Net Loss per Common Share

Basic net loss per share was determined by dividing net loss by the weighted average common shares outstanding during the period. Diluted net loss per share was determined by dividing net loss by diluted weighted average shares outstanding. Diluted weighted average shares reflect the dilutive effect, if any, of common stock options based on the treasury stock method.

For all financial statement periods presented the number of basic and diluted weighted average shares outstanding was the same because any increase in the number of shares of common stock equivalents for any period presented would be antidilutive based on the net loss for the period.

For the six months ended June 30, 2016 and 2015, approximately 5.9 million and 0.9 million weighted average shares subject to stock options and warrants, respectively, as calculated using the treasury stock method, were excluded from the calculation of diluted weighted average common shares outstanding as their effect would have been antidilutive.

5. Fair Value Measurement

ASC Topic 820 *Fair Value Measurement* defines fair value as the price that would be received to sell an asset or be paid to transfer a liability in an orderly transaction between market participants at the measurement date. Pieris applies the following fair value hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement. The standard describes the following fair value hierarchy based on three levels of input, of which the first two are considered observable and the last unobservable, that may be used to measure fair value:

Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date.

Level 2 utilizes quoted market prices in markets that are not active, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency.

Level 3 inputs are unobservable inputs for the asset or liability in which there is little, if any, market activity for the asset or liability at the measurement date.

For the periods presented in these interim financial statements Pieris has no cash equivalents and debt instruments as of each balance sheet date presented.

All of other current assets and current liabilities on our consolidated balance sheets approximate their respective carrying amounts.

6. Related-Party Transactions

Research and License Agreement with Technische Universität München (“TUM”)

On July 4, 2003, the Company entered into a research and licensing agreement with TUM, which was subsequently renewed and, on July 26, 2007, superseded and replaced. The agreement established a joint research effort led by Prof. Arne Skerra, Chair of Biological Chemistry of TUM, to optimize Anticalin technologies for use in therapeutic, prophylactic and diagnostic applications and as research reagents, and to gain fundamental insights in lipocalin scaffolds. Prof. Dr. Skerra was a member of the Company’s supervisory board when the parties entered into such agreement and during the period covered by the consolidated financial statements in this report. The Company provided certain funding for TUM research efforts performed under the agreement.

As a result of research efforts to date under the agreement, the Company holds a worldwide exclusive license under its license agreement with TUM to multiple patents and patent applications, including an exclusive license to an issued U.S. patent, which patent will expire in 2027 (subject to a possible term adjustment period). The Company also holds an exclusive license to an issued U.S. patent No. 8,420,051, which patent is expected to expire in 2029. The Company bears the costs of filing, prosecution and maintenance of patents assigned or licensed to the Company under the agreement.

As consideration for the assigned patents and licenses above, the Company is required to pay certain development milestones to TUM. The Company also is obliged to pay low-single-digit royalties, including annual minimum royalties, on sales of such products incorporating patented technologies. If the Company grants licenses or sublicenses to those patents to third parties, the Company will be obliged to pay a percentage of the resulting revenue to TUM. The Company’s payment obligations are reduced by the Company’s proportionate contribution to a joint invention. Payment obligations terminate on expiration or annulment of the last patent covered by the agreement. The Company can terminate the licenses to any or all licensed patents upon specified advance notice to TUM. TUM may terminate the license provisions of the agreement only for cause. Termination of the agreement does not terminate the rights in patents assigned to the Company.

Effective as of the fourth quarter of 2015, Pieris no longer deems TUM a related party due to Prof. Dr. Skerra no longer having a supervisory board position in Pieris GmbH or other direct relationship with the Company since its initial public offering in December 2014. Therefore no expenses to TUM as a related party were incurred during the three and six months ended June 30, 2016. The Company incurred expenses related to TUM as a related party of approximately \$14,000 and \$28,000 for the three and six months ended June 30, 2015.

Consulting Contract between Prof. Dr. Arne Skerra and Pieris AG

In 2001, the Company entered into a Consulting Agreement with Prof. Dr. Arne Skerra, pursuant to which Prof. Dr. Arne Skerra provides advice regarding the use of new proteins, in particular Anticalin proteins and antibodies, for the purpose of research and development. As of the fourth quarter of 2015, Pieris no longer deems Prof. Dr. Skerra a related party due to Prof. Dr. Skerra no longer having a supervisory board position in Pieris GmbH or other direct relationship with the Company after its initial public offering in December 2014. Therefore no expenses to Prof. Dr. Skerra as a related party were incurred during the three and six months ended June 30, 2016. The Company incurred and paid to Prof. Dr. Skerra consulting fees of approximately \$6,000 and \$11,000 for the three and six months ended June 30, 2015.

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7. Accrued expenses

The Company has recorded the following accrued expenses as of June 30, 2016 and December 31, 2015, respectively:

	June 30, 2016	December 31, 2015
Accrued expenses		
Accrued compensation expense	\$ 690,733	\$ 704,597
Accrued audit and tax fees	245,175	179,223
Accrued professional fees	355,753	194,790
Accrued R&D fees	899,579	466,076
Accrued other	134,155	194,694
Total amount of accrued expenses	<u>\$2,325,395</u>	<u>\$1,739,380</u>

8. Stock-based compensation

2014 Stock Plan

Pieris granted 88,853 and 1,157,734 options to employees, consultants, and directors under its 2014 Employee, Director and Consultant Equity Incentive Plan, (the “2014 Plan”) during the three and six months ended June 30, 2016, respectively. Pieris granted 72,235 and 25,000 options to employees, consultants, and directors under the 2014 Employee, Director and Consultant Equity Incentive Plan, (the “Plan”) during the three and six months ended June 30, 2015, respectively.

The 2014 Plan was terminated on June 28, 2016 when the Company adopted its 2016 Employee, Director and Consultant Equity Incentive Plan, (the “2016 Plan”).

2016 Stock Plan

In June 2016, the Company adopted the 2016 Plan which provides for the grant of stock options, restricted and unrestricted stock awards and other stock-based awards to employees of the Company, non-employee directors of the Company and certain other consultants performing services for the Company as designated by the Compensation Committee of the Board of Directors or the Board of Directors.

At June 30, 2016, the number of common shares reserved for issuance under the 2016 Plan was 3,750,000. The vesting periods of equity incentives issued under the 2016 Plan are determined by the Compensation Committee of the Company’s Board of Directors, with stock options generally vesting over a four-year period. In September 2015, a stock option to purchase 450,000 shares of the Company’s common stock, par value \$0.001 (the “Common Stock”) was granted to a newly-hired executive officer subject to certain restrictions on exercise that required the Company’s shareholders to approve an increase in the number of shares authorized under the 2014 Plan. Upon the Company’s adoption of the 2016 Plan, this stock option was amended and issued under the 2016 Plan and the total shares available under the 2016 Plan reflect the issuance of this option. No stock options were granted under the 2016 Plan during the three and six months ended June 30, 2015. As of June 30, 2016, there were 3,305,000 shares available for future grant under the 2016 Plan.

Stock-based compensation expense for the three and six months ended June 30, 2016 was \$0.6 million and \$1.0 million, respectively, and was \$0.3 million and \$0.5 million for the three and six-months ended June 30, 2015, respectively.

Total stock-based compensation expense was recorded to operating expenses based upon the functional responsibilities of the individuals holding the respective options as follows:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Research and Development	\$ 175,498	\$ 78,348	\$301,939	\$129,185
General and administrative	436,347	189,691	678,290	356,189
Total stock-option expense	\$ 611,845	\$ 268,039	\$980,229	\$485,374

There were no options exercised during the three and six months ended June 30, 2016 and 2015, respectively.

The Company uses the Black-Scholes option pricing model to determine the estimated fair value for stock-based awards. Option-pricing models require the input of various subjective assumptions, including the option’s expected life, expected dividend yield, price volatility, risk free interest rate and forfeitures of the underlying stock. Accordingly, the weighted-average fair value of the options granted during the three and six months ended June 30, 2016 was \$1.09 and \$1.01, respectively. The weighted-average fair value of the options granted during the three and six months ended June 30, 2015 was \$1.81 and \$1.82, respectively. The calculation was based on the following assumptions:

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Dividend yield	0.0%	0.0%	0.0%	0.0%
Expected volatility	75.12% - 75.53%	73.43% - 75.07%	75.12% - 76.00%	73.43% - 75.07%
Weighted average risk-free interest rate	1.13% - 1.49%	1.49% - 1.79%	1.13% - 1.61%	1.49% - 1.79%
Expected term	5.0 - 5.7 years	5.3 - 5.8 years	5.0 - 5.7 years	5.3 - 5.8 years

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Option-pricing models require the input of various subjective assumptions, including the option's expected life and the price volatility of the underlying stock. Pieris' estimated expected stock price volatility is based on the average volatilities of other guideline companies in the same industry. Pieris' expected term of options granted during the three and six months ended June 30, 2016 and 2015, respectively was derived using the SEC's simplified method. The risk-free rate for the expected term of the option is based on the U.S. Treasury yield curve in effect at the time of grant.

The Company's stock options have a maximum term of ten years from the date of grant. Stock options granted under the 2016 Plan may be either incentive stock options ("ISOs"), or nonqualified stock options. The exercise price of stock options granted under the 2016 Plan must be at least equal to the fair market value of the common stock on the date of grant. The Company's general policy is to issue common shares upon the exercise of stock options.

9. Consulting Shares

In March 2015, the Company entered into an independent consulting agreement (the "Consulting Agreement") with the Del Mar Consulting Group, Inc. and Alex Partners, LLC (the "Consultants"), pursuant to which the Company issued 150,000 shares of common stock, to the Consultants (the "Consulting Shares"). The Company agreed to retain the Consultants to provide investor relations consulting to the Company for a period commencing on March 6, 2015 (the "Commencement Date") and ending thirteen months after the Commencement Date (such period, the "Term"). The shares issued in connection with the Consulting Agreement were deemed to be exempt from registration in reliance upon Section 4(a)(2) of the Securities Act as a transaction by an issuer not involving any public offering.

The Company recognized expenses in connection with the issuance of the Consulting Shares of \$0.1 million and \$0.4 million for the three and six months ended June 30, 2015 in general and administrative expenses. No expenses were recognized during the 2016 period as the remaining shares vested on September 2, 2015 and the remaining expense was recorded based on the fair value of the shares on that date.

10. Private Placement

In June 2016, the Company entered into a securities purchase agreement (the "Securities Purchase Agreement") for a private placement of the Company's securities with a select group of institutional investors (the "2016 PIPE"). The 2016 PIPE sale transaction, by the Company, consisted of 8,188,804 units at a price of \$2.015 per unit for gross proceeds, to the Company, of approximately \$16.5 million. After deducting for placement agent fees and offering expenses, the aggregate net proceeds from the private placement was approximately \$15.3 million.

Each unit consisted of (i) one share of the Company's Common Stock or non-voting series A convertible preferred stock (the "Series A Convertible Preferred Stock") which are convertible into one share of common stock, (ii) one warrant to purchase 0.4 shares of Common Stock at an exercise price of \$2.00 per share and (iii) one warrant to purchase 0.2 shares of Common Stock at an exercise price of \$3.00 per share. The warrants will be exercisable for a period of five years from the date of issuance. Each share of Series A Convertible Preferred Stock was issued at a price of \$2.015 per share, and is convertible into 1,000 shares of common stock, provided the holder and/or its affiliates do not own greater than 9.99% of the total number of Pieris common stock then outstanding. The Series A Convertible Preferred Stock has no registration or voting rights. In event of a true liquidation or winding down of the business, holders of Series A Convertible Preferred Stock will be paid prior to the holders of Common Stock. In connection with the 2016 PIPE, the Company issued 3,225,804 shares of Common Stock and 4,963 shares of Series A Convertible Preferred Stock to the 2016 PIPE investors.

The Company expects to use the proceeds from the 2016 PIPE towards further development and pre-clinical and clinical work of the Company's proprietary Anticalin® product portfolio, including the lead candidates as well as the development of other programs and product candidates, and general corporate purposes.

As a result of the 2016 PIPE the number of common stock outstanding increased by 3,225,804 shares and the number of Series A Convertible Preferred Stock outstanding increased by 4,963 shares for the three and six months ended June 30, 2016.

11. License and Transfer Agreement

On April 18, 2016 the Company entered into a license and transfer agreement (the “Original Agreement”) with Enumeral Biomedical Holdings, Inc. (“Enumeral”), pursuant to which the Company acquired a non-exclusive worldwide license to use specified patent rights and know-how owned by Enumeral to research, develop and market fusion protein. As contemplated by the terms of the Original Agreement, the Company entered into a definitive license and transfer agreement (the “Definitive Agreement”) with Enumeral on June 6, 2016, to expand the scope of the Company’s option to license additional antibodies from Enumeral. Under the Definitive Agreement, Enumeral has granted Pieris options to license two additional undisclosed Enumeral antibodies (each, a “Subsequent Option”). The Subsequent Options expire on May 31, 2017. If Pieris licenses an additional antibody pursuant to a Subsequent Option, Pieris must pay to Enumeral an additional undisclosed option exercise payment, and any resulting fusion protein products will be subject to royalties and development and sales milestones in the same amounts applicable to the fusion proteins consisting of an Enumeral’s PD-1 antibody linked to one or more Anticalin® proteins.

Under the terms of the Original Agreement, the Company agreed to pay Enumeral an upfront license fee of \$250,000 upon signing in April 2016 and subsequently elected to pay a \$750,000 maintenance fee in May 2016. The terms of the Definitive Agreement, were essentially unchanged from the Original Agreement, the Company has agreed to pay Enumeral development milestones up to an aggregate of \$37.8 million and sales milestones up to an aggregate of \$67.5 million. Consistent with the terms of the Original Agreement, the Company also agreed to pay Enumeral royalties within a range in the low to lower-middle single digits as a percentage of net sales depending on the amount of net sales in the applicable years. In the event that the Company is required to pay a license fee or royalty to any third party related to the licensed products, the royalty payment due to Enumeral shall be reduced by the amount of such third party fees or payments, up to 50% of the royalty payment for each calendar year due to Enumeral.

The term of the Definitive Agreement ends upon the expiration of the last to expire patent covered under the license. The Definitive Agreement may be terminated by the Company on 30 days’ notice and by Enumeral upon 60 days’ notice of a material breach by the Company (or 30 days with respect to a breach of payment obligations by the Company), provided that the Company has not cured such breach and dispute resolution procedures specified in the Agreement have been followed. The Agreement will also automatically terminate if the Company fails to make the maintenance fee payment described above.

All amounts paid related to the Agreement have been expensed as research and development expense as incurred. The Company incurred \$1.0 million for the three and six months ended June 30, 2016.

12. Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-15, “Disclosure of Uncertainties About an Entity’s Ability to Continue as a Going Concern” which is intended to define management’s responsibility to evaluate whether there is substantial doubt about an organization’s ability to continue as a going concern and to provide related footnote disclosures. Substantial doubt about an entity’s ability to continue as a going concern exists when relevant conditions and events, considered in the aggregate, indicate that it is probable that the entity will be unable to meet its financial obligations as they become due within one year after the date that the financial statements are issued (or are available to be issued). ASU No. 2014-15 provides guidance to an organization’s management, with principles and definitions intended to reduce diversity in the timing and content of disclosures commonly provided by organizations in the footnotes of their financial statements. ASU No. 2014-15 is effective for annual reporting periods ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. Had this standard been adopted as of June 30, 2016, the Company does not believe it would have been required to make any additional disclosures.

In February 2016, the FASB issued ASU No. 2016-02, “Leases (Topic 842)”. Under the amendments in ASU 2016-02 lessees will be required to recognize (i) a lease liability, which is a lessee’s obligation to make lease payments arising from a lease, measured on a discounted basis; and (ii) a right-of-use asset, which is an asset that represents the lessee’s right to use, or control the use of, a specified asset for the lease term for all leases (with the exception of short-term leases) at the commencement date. This guidance is effective for fiscal years beginning after December 15, 2019 including interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

In March 2016, the FASB issued ASU No. 2016-08, “Revenues from Contract with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)”. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations by amending certain existing illustrative examples and adding additional illustrative examples to assist in the application of the guidance. This guidance is effective for fiscal years beginning after December 15, 2018 including interim periods within those fiscal years. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

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In March 2016, the FASB issued ASU No. 2016-09, “*Compensation – Stock Compensation (Topic 718): Improvement to Employee Share-Based Payment Accounting*”. Under the amendments in ASU 2016-09 several aspects of the accounting for share-based payment award transactions are simplified, including (i) income tax consequences, (ii) classification of awards as either equity or liabilities and (iii) classification on the statement of cash flows. This guidance is effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods. Early adoption is permitted for any interim or annual period. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

In April 2016, the FASB issued ASU No. 2016-10, “*Revenue from Contracts with Customers (Topic 606): Identifying Performance Obligations and Licensing*”. The amendments in ASU 2016-10 add further guidance on identifying performance obligations and also to improve the operability and understandability of the licensing implementation guidance. The amendments do not change the core principle of the guidance in Topic 606. This guidance is effective for annual periods beginning after December 15, 2018, including interim reporting periods therein. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

In May 2016, the FASB issued ASU No. 2016-12, “*Revenue from Contracts with Customer (Topic 606): Narrow-Scope Improvements and Practical Expedients*”. The amendments in ASU 2016-12 address narrow-scope improvements to the guidance on collectability, noncash consideration, and completed contracts at transition. Additionally, the amendments in this update provide a practical expedient for contract modifications at transition and an accounting policy election related to the presentation of sales taxes and other similar taxes collected from customers. This guidance is effective for annual periods beginning after December 15, 2018, including interim reporting periods therein. The Company is currently evaluating the potential impact the adoption of this standard will have on its financial statements and related disclosures.

Pieris has considered other recent accounting pronouncements and concluded that they are either not applicable to the business, or that the effect is not expected to be material to the unaudited condensed consolidated financial statements as a result of future adoption.

13. Subsequent Events

On July 25, 2016, the Board of Directors of the Company, following the recommendation of the Nominating and Corporate Governance Committee of the Board, elected Julian Adams, Ph.D., President of Research & Development of Infinity Pharmaceuticals, Inc., to the Company’s Board to serve as a Class I Director of the Company with a term expiring at the 2018 annual meeting of stockholders.

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

The interim financial statements and this Management's Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the financial statements and notes thereto for the year ended December 31, 2015, and the related Management's Discussion and Analysis of Financial Condition and Results of Operations, both of which are contained in our Annual Report on Form 10-K for the year ended December 31, 2015, filed with the SEC on March 23, 2016. In addition to historical information, this discussion and analysis contains forward-looking statements that involve risks, uncertainties, and assumptions. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of certain factors, including but not limited to those set forth under the caption "Risk Factors" in the Annual Report on Form 10-K for the year ended December 31, 2015.

As used in this Quarterly Report on Form 10-Q, unless the context indicates or otherwise requires, "our Company", "the Company", "Pieris", "we", "us", and "our" refer to Pieris Pharmaceuticals, Inc., a Nevada corporation, and its consolidated subsidiaries.

We have registered trademarks for Pieris®, Anticalin® and Pocket Binding®. All other trademarks, trade names and service marks included in this Quarterly Report on Form 10-Q are the property of their respective owners. Use or display by us of other parties' trademarks, trade dress or products is not intended to and does not imply a relationship with, or endorsements or sponsorship of, us by the trademark or trade dress owner.

Company Overview

We are a clinical-stage biopharmaceutical company that discovers and develops Anticalin® protein-based drugs to target validated disease pathways in a unique and transformative way. Our pipeline includes immune-oncology multi-specifics tailored for the tumor micro-environment, an inhaled Anticalin to treat uncontrolled asthma and a half-life-optimized Anticalin to treat anemia. Proprietary to Pieris, Anticalin proteins are a novel class of low molecular-weight therapeutic proteins derived from lipocalins, which are naturally occurring low-molecular weight human proteins typically found in blood plasma and other bodily fluids.

Each of our development programs focus on the following:

- *300-Series oncology drug candidates* are multispecific Anticalin®-based proteins designed to engage immunomodulatory targets and consist of a variety of multifunctional biotherapeutics that genetically link two distinct Anticalin proteins together or an antibody with one or more Anticalin proteins, thereby constituting a multispecific protein;
 - *PRS-343* our lead immune-oncology program is a 4-1BB/HER2 bispecific, comprised of a HER2-targeting antibody genetically linked to a 4-1BB-targeting Anticalin, in which tumor-targeted drug clustering mediated by HER2 expressed on certain solid tumors is intended to drive tumor localized T cell activation for patient unresponsive to current standard of care. PRS-343 is currently in IND enabling studies and we expect to initiate a Phase 1 clinical trial in the first half of 2017; and
 - *PRS-342* is a 4-1BB/GPC3 bispecific comprised of a GPC3-targeting Anticalin genetically linked via an antibody Fc domain to a 4-1BB-targeting Anticalin, in which tumor-targeted drug clustering mediated by GPC3 expressed on certain solid tumors is intended to drive tumor-localized T cell activation for patients unresponsive to current standard of care. PRS-342 is currently in preclinical studies; and
 - *PRS-332* our lead dual checkpoint antagonist program, defines a series of fusion proteins, each of which comprises a PD-1 targeting antibody genetically linked to an Anticalin that engages an undisclosed immune checkpoint. We expect to nominate a bispecific development candidate and initiate IND enabling studies for that candidate by the end of 2016; and
- *PRS-080* is an Anticalin protein that binds to hepcidin, a natural regulator of iron in the blood. It has been designed to target hepcidin for the treatment of functional iron deficiency in anemic patients with chronic kidney disease particularly in end-stage renal disease patients requiring dialysis; and
- *PRS-060* is a drug candidate that binds to the IL-4RA receptor, thereby inhibiting the signaling of IL-4 and IL-13, two cytokines (small proteins mediating signaling between cells within the human body) known to be key mediators in the inflammatory cascade that causes asthma and other inflammatory diseases.

Our programs are in varying stages:

- *300-Series*—We are conducting activities relating to lead candidate identification, lead candidate optimization, preclinical evaluation and IND filing preparation on several of our 300-Series lead candidates. For our lead candidate, PRS-343 we expect to complete IND enabling studies in 2017 and plan a Phase I clinical study to begin in the first half of 2017;

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- PRS-080—We completed a Phase Ia single-ascending dose clinical trial with PRS-080 in healthy volunteers in 2015. Based on the data obtained we are now continuing further development of PRS-080 in a Ib clinical study in CKD5 patients requiring hemodialysis and which we expect to complete by the end of 2016, which we expect will be followed by a multi-dose trial in the same patient population in 2017; and
- PRS-060—We have formulated PRS-060 for pulmonary delivery by inhalation, and we are currently manufacturing bulk drug substance for GLP inhalation toxicology studies and for the manufacture of Drug Product for clinical studies. We intend to begin a Phase I clinical trial with this program in mid-2017.

Our core Anticalin® technology and platform was developed in Germany, and we have partnership arrangements with major multi-national pharmaceutical companies headquartered in the U.S., Europe and Japan and with regional pharmaceutical companies headquartered in India. These include existing agreements with Daiichi Sankyo Company Limited, (“Daiichi Sankyo”), and Sanofi Group, (“Sanofi”), pursuant to which our Anticalin platform has consistently achieved its development milestones. Furthermore, we established a collaboration with F.Hoffman – La Roche Ltd. and Hoffmann – La Roche Inc., (“Roche”) in December 2015. We have discovery and preclinical collaboration and service agreements with both academic institutions and private firms in Australia.

Since inception, we have devoted nearly all of our efforts and resources to our research and development activities. We have incurred significant net losses since inception. For the three and six months ended June 30, 2016 we reported a net loss of \$5.9 million and \$10.0 million, respectively. For the three and six months ended June 30, 2015 we reported a net loss of \$3.5 million and \$7.2 million, respectively. As of June 30, 2016, we had an accumulated deficit of \$89.9 million.

We expect to continue incurring substantial losses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. Our operating expenses are comprised of research and development expenses and general and administrative expenses.

We have not generated any revenues from product sales to date, and we do not expect to generate revenues from product sales for at least the next several years. Our revenues for the periods presented were primarily from license and collaboration agreements with our partners, and, to a lesser extent, from grants from government agencies.

A significant portion of our operations are conducted in countries other than the United States. Since we conduct our business in U.S. dollars, our main exposure, if any, results from changes in the exchange rates between the euro and the U.S. dollar. All assets and liabilities denominated in euros are translated into U.S. dollars at the exchange rate on the balance sheet date. Revenues and expenses are translated at the average rate during the period. Equity transactions are translated using historical exchange rates. Adjustments resulting from translating foreign currency financial statements into U.S. dollars are included in accumulated other comprehensive loss. We may incur negative foreign currency translation changes as a result of changes in currency exchange rates.

Financial Operations Overview

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

Revenues

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

The revenues from Sanofi, Daiichi Sankyo and Roche have been comprised primarily of upfront payments, research and development services and, to a lesser extent, milestone payments. We recognized revenues from upfront payments under these agreements based on multiple-element arrangement guidance as we have determined that the licenses to which the payments related did not have standalone value. Research service revenue is recognized when the costs are incurred and the services have been performed. Revenue from milestone payments is recognized when all of the following conditions are met: (1) the milestone payments are non-refundable, (2) the probability of the achievement of the milestone is near certain, (3) substantive effort on our part is involved in achieving the milestone, (4) the amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone, and (5) a reasonable amount of time passes between the up-front license payment and the first milestone payment.

We expect our revenues for the next several years to consist of upfront payments, research funding and milestone payments from strategic collaborations we currently have or may establish in the future.

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Research and Development Expenses

The process of researching and developing drugs for human use is lengthy, unpredictable and subject to many risks. We expect to continue incurring substantial expenses for the next several years as we continue to develop our clinical and preclinical drug candidates and programs. We are unable with any certainty to estimate either the costs or the timelines in which those costs will be incurred. Our current development plans focus on three lead drug programs: PRS-080, PRS-060 and 300-series. These programs consume a large proportion of our current, as well as projected, resources.

Our research and development costs include costs that are directly attributable to the creation of certain of our Anticalin® drug candidates and are comprised of:

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

General and Administrative Expenses

General and administrative expenses consist primarily of payroll, employee benefits, equity compensation, and other personnel-related costs associated with executive, administrative and other support staff. Other significant general and administrative expenses include the costs associated with professional fees for accounting, auditing, insurance costs, consulting, and legal services.

Results of Operations

Comparison of the three and six months ended June 30, 2016 and June 30, 2015

The following table sets forth our revenues and operating expenses for the periods presented (in thousands):

	Three months ended June 30, 2016	Three months ended June 30, 2015	Six months ended June 30, 2016	Six months ended June 30, 2015
Revenues	\$ 1,073	\$ 160	\$ 2,320	\$ 378
Research and development expenses	(4,500)	(1,726)	(8,160)	(3,250)
General and administrative expenses	(2,368)	(1,969)	(4,336)	(4,363)
Non-operating income (expense), net	(88)	4	132	1
Net loss	\$(5,883)	\$(3,531)	\$(10,044)	\$(7,234)

Revenues

The following table provides a comparison of revenues for three months ended June 30, 2016 and 2015, respectively (in thousands):

	Three months ended June 30, 2016	Three months ended June 30, 2015	\$ Change	% Change
Upfront payments	\$ 706	\$ —	\$ 706	100%
Research and development services	367	—	367	100%
Government Grants	—	160	(160)	(100%)
Total Revenue	<u>\$1,073</u>	<u>\$ 160</u>	<u>\$ 913</u>	<u>569%</u>

- The \$0.7 million increase in revenues from upfront payments in the three months ended June 30, 2016 compared to the three months ended June 30, 2015 relates to the recognition of an upfront payment under our collaboration with Roche, which commenced in January 2016. The revenue for the upfront payment is recorded based on the proportionate performance method using the full-time equivalents as a measure to spread the upfront payment over the research term. No upfront payments were recognized for the three months ended June 30, 2015.

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- The \$0.4 million increase in revenues from research and development services in the three months ended June 30, 2016 compared to the three months ended June 30, 2015 mainly relates to research and development services being provided to Roche pursuant to the Roche Agreement. No research and development services were recognized for the three months ended June 30, 2015.

The decrease in revenues from grants in the three months ended June 30, 2016 compared to the three months ended June 30, 2015 results from the end of the Seventh Research Framework Program (“FP7”) under which the Company recognized \$0.2 million in the three months ended June 30, 2015. No grant revenues were recognized for the three months ended June 30, 2016 as the Company received the last tranche under the FP7 program in November 2015 and no other programs under which the Company could receive government grants are currently in place. The following table provides a comparison of revenues for the six months ended June 30, 2016 and 2015, respectively (in thousands):

	Six months ended June 30, 2016	Six months ended June 30, 2015	\$ Change	% Change
Upfront payments	\$ 1,542	\$ —	\$ 1,542	100%
Research and development services	778	—	778	100%
Government Grants	—	378	(378)	(100%)
Total Revenue	\$ 2,320	\$ 378	\$ 1,942	514%

- The \$1.5 million increase in revenues from upfront payments in the six months ended June 30, 2016 compared to the six months ended June 30, 2015 relates to the recognition of an upfront payment under our collaboration with Roche, which commenced in January 2016. The revenue for the upfront payment is recorded based on the proportionate performance method using the full-time equivalents as a measure to spread the upfront payment over the research term. No upfront payments were recognized for the six months ended June 30, 2015.
- The \$0.8 million increase in revenues from research and development services in the six months ended June 30, 2016 compared to the six months ended June 30, 2015 mainly relates to research and development services being provided to Roche pursuant to the Roche Agreement. No research and development services were recognized for the six months ended June 30, 2015.
- The decrease in revenues from grants in the six months ended June 30, 2016 compared to the six months ended June 30, 2015 resulted from the end of the Seventh Research Framework Program, or FP7, under which the Company recognized \$0.4 million in the six months ended June 30, 2015. No grant revenues were recognized for the six months ended June 30, 2016 as the Company received the last tranche under the FP7 program in November 2015 and no other programs under which the Company could receive government grants are currently in place.

Research and Development

The following table provides a comparison of the research and development expenses for our drug candidates and projects for the three months ended June 30, 2016 and 2015, respectively (in thousands):

	Three months ended June 30, 2016	Three months ended June 30, 2015	\$-Change	%-Change
PRS-060	\$ 566	\$ —	\$ 566	100%
PRS-080	223	641	(418)	(187%)
PRS-300 series	1,084	540	544	50%
Other R&D activities	2,627	545	2,082	382%
Total	\$ 4,500	\$ 1,726	\$ 2,774	161%

Total research and development expenses were \$4.5 million for the three months ended June 30, 2016 as compared to \$1.7 million for the three months ended June 30, 2015.

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The \$2.8 million increase in total research and development expenses in the three months ended June 30, 2016 compared to the three months ended June 30, 2015 is primarily due to:

- increased chemistry, manufacturing and controls (“CMC”) and other preclinical costs associated with PRS-060, as we carry out IND enabling studies;
- increased preclinical and CMC costs for PRS-343 as we carry out our IND enabling studies and development costs for other 300 -Series programs ;
- offset by decreased expenses for PRS-080, as the Phase Ia trial has been completed and Phase Ib trial has recently started; and
- increase in other R&D activities of \$2.1 million. This increase is due to a \$0.6 million increase in personnel-related expenses, including stock-based compensation expense due to the hiring of additional R&D staff, as well as an increase of \$1.0 million for license fees related to Enumeral. General lab supplies increased by \$0.1 million, consulting costs by \$0.2 million and travel costs and other costs by \$0.2 million.

The following table provides a comparison of the research and development expenses for the six months ended June 30, 2016 and 2015, respectively (in thousands):

	Six months ended June 30, 2016	Six months ended June 30, 2015	\$-Change	%-Change
PRS-060	\$ 906	\$ 22	\$ 884	98%
PRS-080	572	1,254	(682)	(119%)
PRS-300 series	2,177	969	1,208	55%
Other R&D activities	4,505	1,005	3,500	348%
Total	\$ 8,160	\$ 3,250	\$ 4,910	151%

Total research and development expenses were \$8.2 million for the six months ended June 30, 2016 as compared to \$3.3 million for the six months ended June 30, 2015.

The \$4.9 million increase in total research and development expenses in the six months ended June 30, 2016 compared to the three months ended June 30, 2015 is primarily due to:

- increased chemistry, manufacturing and controls (“CMC”) and other preclinical costs associated with PRS-060, as we carry out IND enabling studies;
- increased preclinical and CMC costs for PRS-343 as we carry out our IND enabling studies and development costs for other PRS-300-Series programs;
- offset by decreased expenses for PRS-080, as the Phase Ia trial has been completed and Phase Ib has recently begun; and
- increase in other R&D activities of \$3.5 million. This increase is due to a \$1.3 million increase in personnel-related expenses, including stock-based compensation expense due to the hiring of additional R&D staff, as well as an increase in license fees related to TUM and Enumeral of \$1.3 million. General lab supplies increased \$0.2 million as well as travel and consulting costs of \$0.4 million and various facility and other costs of \$0.3 million.

As of June 30, 2016, we employed 31 full-time employees and 2 consultants in our research and development group compared to 29 full-time and 5 part-time employees in our research and development group as of June 30, 2015.

General and Administrative

General and administrative expenses were \$2.4 million for the three months ended June 30, 2016 compared to \$2.0 million for the three months ended June 30, 2015. The increase of \$0.4 million resulted primarily from an increase of \$0.4 million in higher personnel related costs, including an increase in stock compensation expense due to the hiring of additional G&A staff and \$0.1 million in transaction expenses related to Enumeral license and trans2fer agreement. These amounts are offset by \$0.1 million in lower legal and other costs.

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General and administrative expenses were \$4.3 million for the six months ended June 30, 2016 compared to \$4.4 million for the six months ended June 30, 2015. General and administrative expenses decreased due to \$0.7 million of lower legal, consulting and other costs offset by higher personnel related costs of \$0.4 million, including an increase in stock compensation expense due to the hiring of additional G&A staff and increased transaction and investor relation expenses of \$0.2 million.

Non-operating income (expenses), net

Non-operating other expenses increased to \$0.1 million in the three months ended June 30, 2016 from a gain of approximately \$4,000 of non-operating income for the three months ended June 30, 2015. This increase is mainly a result of net foreign currency transaction losses related to the weakness of the Euro against the U.S. dollar at the end of the second quarter of 2016.

Non-operating income increased to \$0.1 million in the six months ended June 30, 2016 from approximately \$1,000 of non-operating income for the six months ended June 30, 2015. This increase is mainly a result of net foreign currency transaction gains related to the strengthening of the Euro against the U.S. dollar in the periods presented.

Liquidity and Capital Resources

Through June 30, 2016, we have funded our operations with \$192.3 million of cash that we obtained from the following main sources: \$118.0 million from sales of equity; \$6.5 million from loans; \$14.2 million from grants from government agencies; and \$53.6 million in total payments received under license and collaboration agreements, including \$12.6 million for research and development services costs we received from our collaboration partners. We expect that reimbursements of our development costs by Daiichi Sankyo and Sanofi will decline going forward, and we do not expect such reimbursements to be a significant source of funding in the future.

As of June 30, 2016, we had a total of \$40.4 million in cash.

We have experienced operating losses since our inception and had a total accumulated deficit of \$89.9 million as of June 30, 2016. We expect to incur additional costs and will require additional capital. We have incurred losses in nearly every period since inception including the three and six months ended June 30, 2016. These losses have primarily resulted in significant cash used in operations. Due to the upfront payment received from Roche during the six months ended June 30, 2016 offset with our net losses for the period, our cash used in operating activities was \$3.9 million. During the six months ended June 30, 2015, our cash used in operations was \$6.7 million. We have several research and development programs underway in varying stages of development and we expect they will continue to consume increasing amounts of cash for development, conducting clinical trials and the testing and manufacturing of product material. As we continue to conduct these activities necessary to pursue FDA approval of our 300-Series, including PRS-343, PRS-342 and PRS-332, and PRS-080 and PRS-060 and our other product candidates, we expect the cash needed to fund operations to increase significantly over the next several years.

On July 6, 2015 we closed a public offering of an aggregate of 9,090,909 shares of our common stock, par value \$0.001 per share, or the Common Stock, at a purchase price of \$2.75 per share. On July 28, 2015 the underwriters exercised their option to purchase an additional 1,211,827 shares of common stock at the public offering price of \$2.75 per share. Gross proceeds from the offering, including the over-allotment option, were \$28.3 million and net proceeds were approximately \$25.8 million.

In June 2016, we entered into a securities purchase agreement for a private placement with a select group of institutional investors. The private placement, referred to as the 2016 PIPE, consisted of the sale of 8,188,804 units at a price of \$2.015 per unit for gross proceeds to us of approximately \$16.5 million. After deducting for placement agent fees and offering expenses, the aggregate net proceeds from the 2016 PIPE was approximately \$15.3 million.

Each unit consisted of (i) one share of common stock or non-voting series A convertible preferred stock, par value \$0.001 per share, or the series A preferred shares, which are convertible into one share of common stock, (ii) one warrant to purchase 0.4 shares of common stock at an exercise price of \$2.00 per share, and (iii) one warrant to purchase 0.2 shares of common stock at an exercise price of \$3.00 per share. The 2016 PIPE transaction closed on June 8, 2016.

We will need to obtain additional funding in order to continue our operations and pursue our business plans. If we are unable to raise capital when needed or on attractive terms, we would be forced to delay, reduce, or eliminate our research and development programs or future commercialization efforts.

We expect that our existing cash and cash equivalents will enable us to fund our operations and capital expenditure requirements for at least the next twelve months. Our requirements for additional capital will depend on many factors, including the following:

- the scope, rate of progress, results, timing and cost of our clinical studies, preclinical testing and other related activities;
- the cost of manufacturing clinical supplies, and establishing commercial supplies, of our drug candidates and any products that we may develop;
- the number and characteristics of drug candidates that we pursue;

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- the cost, timing and outcomes of regulatory approvals;
- the cost and timing of establishing sales, marketing and distribution capabilities;
- the terms and timing of any collaborative, licensing and other arrangements that we may establish;
- the timing, receipt and amount of sales, profit sharing or royalties, if any, from our potential products;
- the cost of preparing, filing, prosecuting, defending, and enforcing any patent claims and other intellectual property rights; and
- the extent to which we acquire or invest in businesses, products or technologies, although we currently have no commitments or agreements relating to any of these types of transactions.

We cannot be sure that future funding will be available to us on acceptable terms, or adequate enough at all. Due to often volatile nature of the financial markets, equity and debt financing may be difficult to obtain. In addition, any unfavorable development or delay in the progress for our 300-Series programs, including PRS-343, PRS-342 and PRS-332, and PRS-080 and PRS-060 could have a material adverse impact on our ability to raise additional capital.

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

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements.

Critical Accounting Policies and Estimates

Refer to Part II, Item 7, "Critical Accounting Policies and Estimates" of our Annual Report on Form 10-K for the fiscal year ended on December 31, 2015 for a discussion of our critical accounting policies and estimates. There were no significant changes to our Critical Accounting Policies and Estimates in the six months ended June 30, 2016.

Recently Issued Accounting Pronouncements

We review new accounting standards to determine the expected financial impact, if any, that the adoption of each such standard will have. For the recently issued accounting standards that we believe may have an impact on our consolidated financial statements, see "Note 12—Recently Issued Accounting Pronouncements" in our consolidated financial statements.

Emerging Growth Company and Smaller Reporting Company Status

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

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

- An emerging growth company is exempt from any requirement that may be adopted by the Public Company Accounting Oversight Board regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and financial statements, commonly known as an "auditor discussion and analysis."

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- An emerging growth company is not required to hold a nonbinding advisory stockholder vote on executive compensation or any golden parachute payments not previously approved by stockholders.
- Neither an emerging growth company nor a smaller reporting company is required to comply with the requirement of auditor attestation of management's assessment of internal control over financial reporting, which is required for other public reporting companies by Section 404 of the Sarbanes-Oxley Act.
- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced disclosure obligations regarding executive compensation in its periodic and annual reports, including without limitation exemption from the requirement to provide a compensation discussion and analysis describing compensation practices and procedures.
- A company that is either an emerging growth company or a smaller reporting company is eligible for reduced financial statement disclosure in registration statements, which must include two years of audited financial statements rather than the three years of audited financial statements that are required for other public reporting companies. Smaller reporting companies are also eligible to provide such reduced financial statement disclosure in annual reports on Form 10-K.

For as long as we continue to be an emerging growth company and/or a smaller reporting company, we expect that we will take advantage of the reduced disclosure obligations available to us as a result of those respective classifications. We will remain an emerging growth company until the earlier of (i) December 31, 2019, the last day of the fiscal year following the fifth anniversary of the date of the first sale of our common stock pursuant to an effective registration statement under the Securities Act; (ii) the last day of the fiscal year in which we have total annual gross revenues of \$1 billion or more; (iii) the date on which we have issued more than \$1 billion in nonconvertible debt during the previous three years; or (iv) the date on which we are deemed to be a large accelerated filer under applicable SEC rules. We expect that we will remain an emerging growth company for the foreseeable future, but cannot retain our emerging growth company status indefinitely and will no longer qualify as an emerging growth company on or before December 31, 2019. We will remain a smaller reporting company until we have a public float of \$75 million or more as of the last business day of our most recently completed second fiscal quarter, and we could retain our smaller reporting company status indefinitely depending on the size of our public float.

Emerging growth companies may elect to take advantage of the extended transition period provided in Section 7(a)(2)(B) of the Securities Act for complying with new or revised accounting standards. This allows an emerging growth company to delay the adoption of certain accounting standards until those standards would otherwise apply to private companies. We have elected to take advantage of the benefits of this extended transition period. Our financial statements may therefore not be comparable to those of companies that comply with such new or revised accounting standards.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Not applicable.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Our management is responsible for establishing and maintaining "disclosure controls and procedures", as such term is defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act, as well as for establishing and maintaining "adequate internal control over financial reporting" as such term is defined in Rule 13a-15(f) under the Exchange Act. The Company's system of internal controls over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the consolidated financial statements in accordance with generally accepted accounting principles.

Because of the inherent limitations surrounding internal controls over financial reporting, our disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of any disclosure controls and procedures also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Our management, under the supervision of and with the participation of the Chief Executive Officer and Chief Financial Officer, assessed the effectiveness of the Company's internal control over financial reporting and disclosure controls and procedures as of June 30, 2016. In making this assessment, management used the updated criteria set forth in 2013 by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control-Integrated Framework.

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Based on our assessment under the COSO Internal Control-Integrated Framework, management believes that, as of June 30, 2016, our internal control over financial reporting was not effective, as described below.

A material weakness is a deficiency, or a combination of deficiencies, in internal controls over financial reporting, such that there is a reasonable possibility that a material misstatement of a company's annual or interim consolidated financial statements would not be prevented or detected on a timely basis.

In connection with the preparation of our financial statements for the three and six months ended June 30, 2016, we concluded that we had a material weakness relating to the technical accounting for complex transactions. During the period we noted an error in the accounting for our equity transaction. The error was corrected in the financial statements prior to their issuance. We have developed and implemented a remediation plan for this material weakness. We will continue to execute our remediation plan, which includes, among other things, engagement of additional technical expertise, as needed, on complex accounting matters to support the accounting and finance team and the internal control environment.

Notwithstanding this material weakness, we have concluded that the financial statements and other financial information included in this Quarterly Report on Form 10-Q, fairly present in all material respects our financial condition, results of operations and cash flows as of, and for, the periods presented.

Changes in Internal Control over Financial Reporting

Except for material weakness described above, there were no changes in our internal control over financial reporting identified in connection with the evaluation of such internal control required by Rules 13a-15(d) and 15d-15(d) under the Exchange Act that occurred during the quarter ended June 30, 2016 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings

Claims and lawsuits are filed against our Company from time to time. Although the results of pending claims are always uncertain, we believe that we have adequate reserves or adequate "insurance coverage" in respect of these claims, but no assurance can be given as to the sufficiency of such reserves or insurance coverage in the event of any unfavorable outcome resulting from these actions.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for the fiscal year ended December 31, 2015.

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

On June 8, 2016, we entered into a securities purchase agreement for a private placement with a select group of institutional investors. The private placement, which we refer to as the 2016 PIPE, consisted of the sale of 8,188,804 units at a price of \$2.015 per unit for gross proceeds to us of approximately \$16.5 million. After deducting for placement agent fees and offering expenses, the aggregate net proceeds from the 2016 PIPE was approximately \$15.3 million.

Each unit consisted of (i) one share of our common stock, par value \$0.001 per share, or the Common Stock, or one share of our non-voting series A convertible preferred stock, par value \$0.001 per share, or the Series A Preferred Shares, which are convertible into one share of Common Stock, (ii) one warrant to purchase 0.4 shares of Common Stock at an exercise price of \$2.00 per share, and (iii) one warrant to purchase 0.2 shares of Common Stock at an exercise price of \$3.00 per share. The 2016 PIPE closed on June 8, 2016.

The sale and issuance of the securities set forth above were deemed to be exempt from registration under the Securities Act of 1933, as amended, or the Securities Act, by virtue of Section 4(2) or Rule 506 promulgated under Regulation D promulgated thereunder. Each of the recipients of securities in these transactions was an accredited investor within the meaning of Rule 501 of Regulation D under the Securities Act and had adequate access, through employment, business or other relationships, to information about us. No underwriters were involved in these transactions.

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Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

EXHIBIT INDEX

3.1	Certificate of Designation of Series A Convertible Preferred Stock.
10.1*	Definitive License and Transfer Agreement by and between the Company and Enumeral Biomedical Holdings, Inc. dated as of June 6, 2016.
10.2	Securities Purchase Agreement, dated June 2, 2016, by and among the Company and the Investors named therein (incorporated by reference to Exhibit 10.1 contained in our Current Report on Form 8-K (File No. 001-37471), filed on June 6, 2016).
10.3	Form of Warrant to purchase Common Stock (Incorporated by reference to Exhibit 10.2 contained in our Current Report on Form 8-K (File No. 001-37471), filed on June 6, 2016).
10.4	Registration Rights Agreement, dated June 2, 2016, by and among the Company and the Investors named therein (incorporated by reference to Exhibit 10.3 contained in our Current Report on Form 8-K (File No. 001-37471), filed on June 6, 2016).
31.1	Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Principal Executive Officer.
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 by Principal Financial Officer.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Principal Executive Officer.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Principal Financial Officer.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Presentation Linkbase Document

* Confidential treatment requested as to portions of the exhibit. Confidential materials omitted and filed separately with the SEC.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: August 11, 2016

PIERIS PHARMACEUTICALS, INC.

By: /s/ Stephen S. Yoder
Stephen S. Yoder
President, Chief Executive Officer and Director

Date: August 11, 2016

By: /s/ Darlene Deptula-Hicks
Darlene Deptula-Hicks
Chief Financial Officer, Secretary and Treasurer



150103



BARBARA K. CEGAVSKE
 Secretary of State
 202 North Carson Street
 Carson City, Nevada 89701-4201
 (775) 684-5708
 Website: www.nvsos.gov

Certificate of Designation
 (PURSUANT TO NRS 78.1955)

Filed in the office of <i>Barbara K. Cegavske</i>	Document Number 20160257424-03
Barbara K. Cegavske Secretary of State State of Nevada	Filing Date and Time 06/07/2016 2:50 PM
	Entity Number E0259632013-5

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Certificate of Designation For
Nevada Profit Corporations
(Pursuant to NRS 78.1955)

1. Name of corporation:

Pieris Pharmaceuticals, Inc.

2. By resolution of the board of directors pursuant to a provision in the articles of incorporation this certificate establishes the following regarding the voting powers, designations, preferences, limitations, restrictions and relative rights of the following class or series of stock.

Series A Convertible Preferred Stock:

The board of directors of Pieris Pharmaceuticals, Inc., pursuant to the authority granted thereto under the corporation's articles of incorporation, as heretofore amended to date, hereby establishes a series of the corporation's preferred stock, consisting of four thousand nine hundred sixty three (4,963) shares of preferred stock, par value \$0.001 per share, designated as "Series A Convertible Preferred Stock" and having the voting powers, designations, preferences, limitations, restrictions and relative rights set forth with particularity in the Certificate of Designation of the Series A Convertible Preferred Stock attached hereto, which is incorporated herein by this reference.

3. Effective date of filing: (optional)

(must not be later than 90 days after the certificate is filed)

4. Signature: (required)

/s/ Darlene Deptula-Hicks

Signature of Officer**Filing Fee: \$175.00****IMPORTANT:** Failure to include any of the above information and submit with the proper fees may cause this filing to be rejected.*This form must be accompanied by appropriate fees.*

See attachment.

Nevada Secretary of State Stock Designation

Revised: 1-5-15

CERTIFICATE OF DESIGNATION OF
SERIES A CONVERTIBLE PREFERRED STOCK
OF
PIERIS PHARMACEUTICALS, INC.

Pieris Pharmaceuticals, Inc., a Nevada corporation (the "**Corporation**"), in accordance with the provisions of Nevada Revised Statutes ("**NRS**") 78.195 and 78.1955, does hereby certify that, pursuant to the authority conferred upon the board of directors of the Corporation (the "**Board of Directors**") by the Corporation's articles of incorporation, as heretofore amended to date (the "**Articles of Incorporation**"), the Board of Directors has, by a resolution duly adopted pursuant thereto, established a series of the Corporation's preferred stock consisting of four thousand nine hundred sixty three (4,963) shares of the Corporation's preferred stock, par value \$0.001 per share, designated as "Series A Convertible Preferred Stock" and having the voting powers, designations, preferences, privileges, limitations, restrictions and relative rights set forth as follows, in addition to any provisions of the Articles of Incorporation applicable to all classes and series of Preferred Stock (all capitalized terms used but not defined herein shall have the meanings set forth in the Articles of Incorporation):

Section 1. **Definitions.** For the purposes hereof, the following terms shall have the following meanings:

"**Affiliate**" means any person or entity that, directly or indirectly through one or more intermediaries, controls or is controlled by or is under common control with a person or entity, as such terms are used in and construed under Rule 144 under the Securities Act. With respect to a Holder, any investment fund or managed account that is managed on a discretionary basis by the same investment manager as such Holder will be deemed to be an Affiliate of such Holder.

"**Alternate Consideration**" shall have the meaning set forth in Section 7(b).

"**Beneficial Ownership Limitation**" shall have the meaning set forth in Section 6(c).

"**Business Day**" means any day except Saturday, Sunday, any day which shall be a federal legal holiday in the United States or any day on which banking institutions in the State of New York are authorized or required by law or other governmental action to close.

"**Buy-In**" shall have the meaning set forth in Section 6(d)(iii).

"**Closing Sale Price**" means, for any security as of any date, the last closing trade price for such security prior to 4:00 p.m., New York City time, on the principal securities exchange or trading market where such security is listed or traded, as reported by Bloomberg, L.P. (or an equivalent, reliable reporting service mutually acceptable to and hereafter designated by Holders of a majority of the then-outstanding Series A Preferred Stock and the Corporation), or if the foregoing do not apply, the last trade price of such security in the over-the-counter market on the electronic bulletin board for such security as reported by Bloomberg, L.P., or, if no last trade price is reported for such security by Bloomberg, L.P., the average of the bid prices of any

market makers for such security as reported on the OTC Pink Market by OTC Markets Group, Inc. If the Closing Sale Price cannot be calculated for a security on a particular date on any of the foregoing bases, the Closing Sale Price of such security on such date shall be the fair market value as determined in good faith by the Board of Directors of the Corporation.

“**Commission**” means the Securities and Exchange Commission.

“**Common Stock**” means the Corporation’s common stock, par value \$0.001 per share, and stock of any other class of securities into which such securities may hereafter be reclassified or changed into.

“**Conversion Date**” shall have the meaning set forth in Section 6(a).

“**Conversion Price**” shall mean \$2.015, as adjusted pursuant to paragraph 7 hereof.

“**Conversion Ratio**” shall have the meaning set forth in Section 6(b).

“**Conversion Shares**” means, collectively, the shares of Common Stock issuable upon conversion of the shares of Series A Preferred Stock in accordance with the terms hereof.

“**DTC**” shall have the meaning set forth in Section 6(a).

“**DWAC Delivery**” shall have the meaning set forth in Section 6(a).

“**Exchange Act**” means the Securities Exchange Act of 1934, as amended, and the rules and regulations promulgated thereunder.

“**Fundamental Transaction**” shall have the meaning set forth in Section 7(b).

“**Holder**” means any holder of Series A Preferred Stock.

“**Issuance Date**” means the date of the “Closing” as defined in that certain Securities Purchase Agreement, dated June 2, 2016, by and among the Corporation and the “Purchasers” named therein.

“**Junior Securities**” shall have the meaning set forth in Section 5(a).

“**Notice of Conversion**” shall have the meaning set forth in Section 6(a).

“**Parity Securities**” shall have the meaning set forth in Section 5(a).

“**Person**” means any individual or corporation, partnership, trust, incorporated or unincorporated association, joint venture, limited liability company, joint stock company, government (or an agency or subdivision thereof) or other entity of any kind.

“**Securities Act**” means the Securities Act of 1933, as amended, and the rules and regulations promulgated thereunder.

“**Senior Securities**” shall have the meaning set forth in Section 5(a).

“**Series A Preferred Stock Register**” shall have the meaning set forth in Section 2(b).

“**Share Delivery Date**” shall have the meaning set forth in Section 6(d)(i).

“**Stated Value**” shall mean \$2,015.00.

“**Trading Day**” means a day on which the Common Stock is traded for any period on the principal securities exchange or if the Common Stock is not traded on a principal securities exchange, on a day that the Common Stock is traded on another securities market on which the Common Stock is then being traded.

Section 2. Designation, Amount and Par Value; Assignment.

a. The series of preferred stock designated by this Certificate of Designation shall be designated as the Corporation’s Series A Convertible Preferred Stock (the “**Series A Preferred Stock**”) and the number of shares so designated shall be four thousand nine hundred sixty three (4,963) (which shall not be subject to increase except pursuant to an amendment to this Certificate of Designation duly adopted in accordance with the applicable law and the written consent of the Holders of a majority of the issued and outstanding Series A Preferred Stock). Each share of Series A Preferred Stock shall have a par value of \$0.001 per share.

b. The Corporation shall register shares of the Series A Preferred Stock in the name of the Holders thereof from time to time upon records to be maintained by the Corporation for that purpose (the “**Series A Preferred Stock Register**”). The Series A Preferred Stock shall be issued in book entry only, provided that the Corporation shall issue one or more certificates representing shares of Series A Preferred Stock, to the extent such issuance is requested by a given Holder. References herein to certificates representing the Series A Preferred Stock shall apply only if such shares have been issued in certificated form. The Corporation may deem and treat the registered Holder of shares of Series A Preferred Stock as the absolute owner thereof for the purpose of any conversion thereof and for all other purposes. The Corporation shall register the transfer of any shares of Series A Preferred Stock in the Series A Preferred Stock Register, upon surrender of the certificates evidencing such shares to be transferred, duly endorsed by the Holder thereof, to the Corporation at its address specified herein. Upon any such registration or transfer, a new certificate evidencing the shares of Series A Preferred Stock so transferred shall be issued to the transferee (if requested) and a new certificate evidencing the remaining portion of the shares not so transferred, if any, shall be issued to the transferring Holder, in each case, within three Business Days. The provisions of this Certificate of Designation are intended to be for the benefit of all Holders from time to time and shall be enforceable by any such Holder.

Section 3. Dividends. Holders be entitled to receive when, as and if dividends are declared and paid on the Corporation’s Common Stock, an equivalent dividend (with the same dividend declaration date and payment date), calculated on an as-converted basis. Other than the foregoing, the Holders of Series A Preferred Stock shall not be entitled to receive any dividends in respect of the Series A Preferred Stock, unless and until specifically declared by the Board of Directors of the Corporation to be payable to the Holders of the Series A Preferred Stock.

Section 4. Voting Rights. Except as otherwise provided herein or as otherwise required by the NRS, the Series A Preferred Stock shall have no voting rights. However, as long as any shares of Series A Preferred Stock are outstanding, the Corporation shall not, without the affirmative vote of the Holders of a majority of the then outstanding shares of the Series A Preferred Stock, (a) alter or change adversely the powers, preferences or rights given to the Series A Preferred Stock or alter or amend this Certificate of Designation, (b) increase the number of authorized shares of Series A Preferred Stock, or (c) enter into any agreement with respect to any of the foregoing.

Section 5. Rank; Liquidation.

a. The Series A Preferred Stock shall rank (i) senior to the Common Stock, and (ii) senior to any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms junior to any Series A Preferred Stock ("**Junior Securities**"); (iii) on parity with any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms on parity with the Series A Preferred Stock ("**Parity Securities**"); and (iv) junior to any class or series of capital stock of the Corporation hereafter created specifically ranking by its terms senior to any Series A Preferred Stock ("**Senior Securities**"), in each case, as to distributions of assets upon liquidation, dissolution or winding up of the Corporation, whether voluntarily or involuntarily.

b. Subject to the prior and superior rights of the holders of any Senior Securities of the Corporation, upon liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, each Holder shall be entitled to receive, in preference to any distributions of any of the assets or surplus funds of the Corporation to the holders of the Common Stock and Junior Securities and pari passu with any distribution to the holders of Parity Securities, an amount equal to \$0.001 per share of Series A Preferred Stock, plus an additional amount equal to any dividends declared but unpaid on such shares, before any payments shall be made or any assets distributed to holders of any class of Common Stock or Junior Securities. If, upon any such liquidation, dissolution or winding up of the Corporation, the assets of the Corporation shall be insufficient to pay the holders of shares of the Series A Preferred Stock the amount required under the preceding sentence, then all remaining assets of the Corporation shall be distributed ratably to holders of the shares of the Series A Preferred Stock and Parity Securities.

Section 6. Conversion.

a. Conversions at Option of Holder. Each share of Series A Preferred Stock shall be convertible, at any time and from time to time from and after the Issuance Date, at the option of the Holder thereof, into a number of shares of Common Stock equal to the Conversion Ratio. Holders shall effect conversions by providing the Corporation with the form of conversion notice attached hereto as Annex A (a "**Notice of Conversion**"), duly completed and executed. Other than a conversion following a Fundamental Transaction or following a notice provided for under Section 7(d)(ii) hereof, the Notice of Conversion must specify at least a number of shares of Series A Preferred Stock to be converted equal to the lesser of (x) 100 shares (such number subject to appropriate adjustment following the occurrence of an event specified in Section 7(a) hereof) and (y) the number of shares of Series A Preferred Stock then held by the

Holder. Provided the Corporation's transfer agent is participating in the Depository Trust Company ("**DTC**") Fast Automated Securities Transfer program, the Notice of Conversion may specify, at the Holder's election, whether the applicable Conversion Shares shall be credited to the account of the Holder's prime broker with DTC through its Deposit Withdrawal Agent Commission system (a "**DWAC Delivery**"). The "**Conversion Date**", or the date on which a conversion shall be deemed effective, is defined as the Trading Day that the Notice of Conversion, completed and executed, is sent by facsimile to, and received during regular business hours by, the Corporation; provided that if such shares of Series A Preferred Stock were issued in certificated form, then the original certificate(s) representing such shares of Series A Preferred Stock being converted, duly endorsed, and the accompanying Notice of Conversion, are received by the Corporation within two Trading Days thereafter. In all other cases, the Conversion Date shall be defined as the Trading Day on which the original certificates (if any) representing the shares of Series A Preferred Stock being converted, duly endorsed, and the accompanying Notice of Conversion, are received by the Corporation. The calculations set forth in the Notice of Conversion shall control in the absence of manifest or mathematical error.

b. **Conversion Ratio.** The "**Conversion Ratio**" for each share of Series A Preferred Stock shall be equal to the Stated Value divided by the Conversion Price.

c. **Beneficial Ownership Limitation.** Notwithstanding anything in this Certificate of Designation to the contrary, the Corporation shall not effect any conversion of the Series A Preferred Stock, and a Holder shall not have the right to convert any portion of the Series A Preferred Stock, to the extent that, after giving effect to an attempted conversion set forth on an applicable Notice of Conversion, such Holder (together with such Holder's Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the Commission, including any "group" of which the Holder is a member) would beneficially own a number of shares of Common Stock in excess of the Beneficial Ownership Limitation (as defined below). For purposes of the foregoing sentence, the number of shares of Common Stock beneficially owned by such Holder and its Affiliates shall include the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock subject to the Notice of Conversion with respect to which such determination is being made, but shall exclude the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted Series A Preferred Stock beneficially owned by such Holder or any of its Affiliates, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation (including any warrants) beneficially owned by such Holder or any of its Affiliates that are subject to a limitation on conversion or exercise similar to the limitation contained herein. Except as set forth in the preceding sentence, for purposes of this Section 6(c), beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the applicable regulations of the Commission. In addition, for purposes hereof, "group" has the meaning set forth in Section 13(d) of the Exchange Act and the applicable regulations of the Commission. For purposes of this Section 6(c), it is understood that the number of shares of Common Stock beneficially owned by each Holder shall be aggregated with each other Holder for purposes of Section 13(d) of the Exchange Act. For purposes of this Section 6(c), in determining the number of outstanding shares of Common Stock, absent actual knowledge of such Holder to the contrary, a Holder may rely on the number of outstanding shares of Common Stock as stated in the most recent of the following: (A) the Corporation's most recent periodic or

annual filing with the Commission, as the case may be, (B) a more recent public announcement by the Corporation that is filed with the Commission, or (C) a more recent notice by the Corporation or the Corporation's transfer agent to the Holder setting forth the number of shares of Common Stock then outstanding. Upon the written request of a Holder (which may be by email), the Corporation shall, within three Trading Days thereof, confirm in writing to such Holder (which may be via email) the number of shares of Common Stock then outstanding. In any case, the number of outstanding shares of Common Stock shall be determined after giving effect to any actual conversion or exercise of securities of the Corporation, including shares of Series A Preferred Stock, by such Holder or its Affiliates since the date as of which such number of outstanding shares of Common Stock was last publicly reported or confirmed to the Holder. The initial "**Beneficial Ownership Limitation**" shall be 9.99% of the number of shares of the Common Stock outstanding immediately after giving effect to the issuance of shares of Common Stock pursuant to such Notice of Conversion (to the extent permitted pursuant to this Section 6(c)). By written notice to the Corporation, which will not be effective until the 61st day after such notice is delivered to the Corporation, a Holder may increase or decrease the Beneficial Ownership Limitation applicable solely to such Holder to such other percentage limit as may be determined by the Holder, not to exceed 19.99%, provided that any increase in the Beneficial Ownership Limitation shall not be effective until the 61st day after such notice is delivered to the Corporation. The Corporation shall be entitled to rely on representations made to it by the Holder in any Notice of Conversion regarding its Beneficial Ownership Limitation.

d. Mechanics of Conversion

i. Delivery of Certificate or Electronic Issuance Upon Conversion. Not later than three Trading Days after the applicable Conversion Date, or if the Holder requests the issuance of physical certificate(s), two Trading Days after receipt by the Corporation of the original certificate(s) representing such shares of Series A Preferred Stock being converted, duly endorsed, and the accompanying Notice of Conversion (the "**Share Delivery Date**"), the Corporation shall (a) deliver, or cause to be delivered, to the converting Holder a physical certificate or certificates representing the number of Conversion Shares being acquired upon the conversion of shares of Series A Preferred Stock or (b) in the case of a DWAC Delivery, electronically transfer such Conversion Shares by crediting the account of the Holder's prime broker with DTC through its DWAC system. If in the case of any Notice of Conversion such certificate or certificates are not delivered to or as directed by or, in the case of a DWAC Delivery, such shares are not electronically delivered to or as directed by, the applicable Holder by the Share Delivery Date, the applicable Holder shall be entitled to elect to rescind such Conversion Notice by written notice to the Corporation at any time on or before its receipt of such certificate or certificates for Conversion Shares or electronic receipt of such shares, as applicable, in which event the Corporation shall promptly return to such Holder any original Series A Preferred Stock certificate delivered to the Corporation and such Holder shall promptly return to the Corporation any Common Stock certificates or otherwise direct the return of any shares of Common Stock delivered to the Holder through the DWAC system, representing the shares of Series A Preferred Stock unsuccessfully tendered for conversion to the Corporation.

ii. Obligation Absolute. Subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, the Corporation's obligation to issue and deliver the Conversion Shares upon conversion of Series A

Preferred Stock in accordance with the terms hereof are absolute and unconditional, irrespective of any action or inaction by a Holder to enforce the same, any waiver or consent with respect to any provision hereof, the recovery of any judgment against any Person or any action to enforce the same, or any setoff, counterclaim, recoupment, limitation or termination, or any breach or alleged breach by such Holder or any other Person of any obligation to the Corporation or any violation or alleged violation of law by such Holder or any other Person, and irrespective of any other circumstance which might otherwise limit such obligation of the Corporation to such Holder in connection with the issuance of such Conversion Shares. Subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, in the event a Holder shall elect to convert any or all of its Series A Preferred Stock, the Corporation may not refuse conversion based on any claim that such Holder or any one associated or affiliated with such Holder has been engaged in any violation of law, agreement or for any other reason, unless an injunction from a court, on notice to Holder, restraining and/or enjoining conversion of all or part of the Series A Preferred Stock of such Holder shall have been sought and obtained by the Corporation, and the Corporation posts a surety bond for the benefit of such Holder in the amount of 150% of the value of the Conversion Shares into which would be converted the Series A Preferred Stock which is subject to such injunction, which bond shall remain in effect until the completion of arbitration/litigation of the underlying dispute and the proceeds of which shall be payable to such Holder to the extent it obtains judgment. In the absence of such injunction, the Corporation shall, subject to Section 6(c) hereof and subject to Holder's right to rescind a Conversion Notice pursuant to Section 6(d)(i) above, issue Conversion Shares upon a properly noticed conversion. Nothing herein shall limit a Holder's right to pursue actual damages for the Corporation's failure to deliver Conversion Shares within the period specified herein and such Holder shall have the right to pursue all remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief; provided that Holder shall not receive duplicate damages for the Corporation's failure to deliver Conversion Shares within the period specified herein. The exercise of any such rights shall not prohibit a Holder from seeking to enforce damages pursuant to any other Section hereof or under applicable law.

iii. Compensation for Buy-In on Failure to Timely Deliver Certificates Upon Conversion. If the Corporation fails to deliver to a Holder the applicable certificate or certificates or to effect a DWAC Delivery, as applicable, by the Share Delivery Date pursuant to Section 6(d)(i) (other than a failure caused by incorrect or incomplete information provided by Holder to the Corporation), and if after such Share Delivery Date such Holder is required by its brokerage firm to purchase (in an open market transaction or otherwise), or the Holder's brokerage firm otherwise purchases, shares of Common Stock to deliver in satisfaction of a sale by such Holder of the Conversion Shares which such Holder was entitled to receive upon the conversion relating to such Share Delivery Date (a "**Buy-In**"), then the Corporation shall (A) pay in cash to such Holder (in addition to any other remedies available to or elected by such Holder) the amount by which (x) such Holder's total purchase price (including any brokerage commissions) for the shares of Common Stock so purchased exceeds (y) the product of (1) the aggregate number of shares of Common Stock that such Holder was entitled to receive from the conversion at issue multiplied by (2) the actual sale price at which the sell order giving rise to such purchase obligation was executed (including any brokerage commissions) and (B) at the option of such Holder, either reissue (if surrendered) the shares of Series A Preferred Stock equal to the number of shares of Series A Preferred Stock submitted for conversion or deliver to such

Holder the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(d)(i). For the avoidance of doubt, this Section 6(d)(ii) shall not apply if the Corporation does not effect a conversion pursuant to the limitations of Section 6(c). For example, if a Holder purchases shares of Common Stock having a total purchase price of \$11,000 to cover a Buy-In with respect to an attempted conversion of shares of Series A Preferred Stock with respect to which the actual sale price (including any brokerage commissions) giving rise to such purchase obligation was a total of \$10,000 under clause (A) of the immediately preceding sentence, the Corporation shall be required to pay such Holder \$1,000. The Holder shall provide the Corporation written notice, within three (3) Trading Days after the occurrence of a Buy-In, indicating the amounts payable to such Holder in respect of such Buy-In together with applicable confirmations and other evidence reasonably requested by the Corporation. Nothing herein shall limit a Holder's right to pursue any other remedies available to it hereunder, at law or in equity including, without limitation, a decree of specific performance and/or injunctive relief with respect to the Corporation's failure to timely deliver certificates representing shares of Common Stock upon conversion of the shares of Series A Preferred Stock as required pursuant to the terms hereof; provided, however, that the Holder shall not be entitled to both (i) require the reissuance of the shares of Series A Preferred Stock submitted for conversion for which such conversion was not timely honored and (ii) receive the number of shares of Common Stock that would have been issued if the Corporation had timely complied with its delivery requirements under Section 6(d)(i).

iv. Reservation of Shares Issuable Upon Conversion. The Corporation covenants that it will at all times reserve and keep available out of its authorized and unissued shares of Common Stock for the sole purpose of issuance upon conversion of the Series A Preferred Stock, free from preemptive rights or any other actual contingent purchase rights of Persons other than the Holders of the Series A Preferred Stock, not less than such aggregate number of shares of the Common Stock as shall be issuable (taking into account the adjustments of Section 7) upon the conversion of all outstanding shares of Series A Preferred Stock. The Corporation covenants that all shares of Common Stock that shall be so issuable shall, upon issue, be duly authorized, validly issued, fully paid and nonassessable.

v. Fractional Shares. No fractional shares or scrip representing fractional shares of Common Stock shall be issued upon the conversion of the Series A Preferred Stock. As to any fraction of a share which a Holder would otherwise be entitled to receive upon such conversion, the Corporation shall pay a cash adjustment in respect of such final fraction in an amount equal to such fraction multiplied by the Conversion Price.

vi. Transfer Taxes. The issuance of certificates for shares of the Common Stock upon conversion of the Series A Preferred Stock shall be made without charge to any Holder for any documentary stamp or similar taxes that may be payable in respect of the issue or delivery of such certificates, provided that the Corporation shall not be required to pay any tax that may be payable in respect of any transfer involved in the issuance and delivery of any such certificate upon conversion in a name other than that of the registered Holder(s) of such shares of Series A Preferred Stock and the Corporation shall not be required to issue or deliver such certificates unless or until the Person or Persons requesting the issuance thereof shall have paid to the Corporation the amount of such tax or shall have established to the satisfaction of the Corporation that such tax has been paid.

e. **Status as Stockholder.** Upon each Conversion Date, (i) the shares of Series A Preferred Stock being converted shall be deemed converted into shares of Common Stock and (ii) the Holder's rights as a holder of such converted shares of Series A Preferred Stock shall cease and terminate, excepting only the right to receive certificates for such shares of Common Stock and to any remedies provided herein or otherwise available at law or in equity to such Holder because of a failure by the Corporation to comply with the terms of this Certificate of Designation. In all cases, the Holder shall retain all of its rights and remedies for the Corporation's failure to convert Series A Preferred Stock.

Section 7. **Certain Adjustments.**

a. **Stock Dividends and Stock Splits.** If the Corporation, at any time while any Series A Preferred Stock is outstanding: (i) pays a stock dividend or otherwise makes a distribution or distributions payable in shares of Common Stock (which, for avoidance of doubt, shall not include any shares of Common Stock issued by the Corporation upon conversion of any Series A Preferred Stock) with respect to the then outstanding shares of Common Stock; (ii) subdivides outstanding shares of Common Stock into a larger number of shares; or (iii) combines (including by way of a reverse stock split) outstanding shares of Common Stock into a smaller number of shares, then the Conversion Price shall be multiplied by a fraction of which the numerator shall be the number of shares of Common Stock (excluding any treasury shares of the Corporation) outstanding immediately before such event and of which the denominator shall be the number of shares of Common Stock outstanding immediately after such event (excluding any treasury shares of the Corporation). Any adjustment made pursuant to this Section 7(a) shall become effective immediately after the record date for the determination of stockholders entitled to receive such dividend or distribution and shall become effective immediately after the effective date in the case of a subdivision or combination.

b. **Fundamental Transaction.** If, at any time while any Series A Preferred Stock is outstanding, (i) the Corporation effects any merger or consolidation of the Corporation with or into another Person (other than a merger in which the Corporation is the surviving or continuing entity and its Common Stock is not exchanged for or converted into other securities, cash or property), (ii) the Corporation effects any sale of all or substantially all of its assets in one transaction or a series of related transactions, (iii) any tender offer or exchange offer (whether by the Corporation or another Person) is completed pursuant to which all of the Common Stock is exchanged for or converted into other securities, cash or property, or (iv) the Corporation effects any reclassification of the Common Stock or any compulsory share exchange pursuant (other than as a result of a dividend, subdivision or combination covered by Section 7(a) above) to which the Common Stock is effectively converted into or exchanged for other securities, cash or property (in any such case, a "**Fundamental Transaction**"), then, upon any subsequent conversion of Series A Preferred Stock the Holders shall have the right to receive, in lieu of the right to receive Conversion Shares, for each Conversion Share that would have been issuable upon such conversion immediately prior to the occurrence of such Fundamental Transaction, the same kind and amount of securities, cash or property as it would have been entitled to receive upon the occurrence of such Fundamental Transaction if it had been, immediately prior to such Fundamental Transaction, the holder of one share of Common Stock (the "**Alternate Consideration**"). For purposes of any such subsequent conversion, the determination of the Conversion Ratio shall be appropriately adjusted to apply to such Alternate

Consideration based on the amount of Alternate Consideration issuable in respect of one share of Common Stock in such Fundamental Transaction, and the Corporation shall adjust the Conversion Ratio in a reasonable manner reflecting the relative value of any different components of the Alternate Consideration. If holders of Common Stock are given any choice as to the securities, cash or property to be received in a Fundamental Transaction, then the Holders shall be given the same choice as to the Alternate Consideration it receives upon any conversion of Series A Preferred Stock following such Fundamental Transaction. To the extent necessary to effectuate the foregoing provisions, any successor to the Corporation or surviving entity in such Fundamental Transaction shall file a new Certificate of Designation with the same terms and conditions and issue to the Holders new preferred stock consistent with the foregoing provisions and evidencing the Holders' right to convert such preferred stock into Alternate Consideration. The terms of any agreement to which the Corporation is a party and pursuant to which a Fundamental Transaction is effected shall include terms requiring any such successor or surviving entity to comply with the provisions of this Section 7(b) and insuring that the Series A Preferred Stock (or any such replacement security) will be similarly adjusted upon any subsequent transaction analogous to a Fundamental Transaction. The Corporation shall cause to be delivered to each Holder, at its last address as it shall appear upon the stock books of the Corporation, written notice of any Fundamental Transaction at least 10 calendar days prior to the date on which such Fundamental Transaction is expected to become effective or close.

c. Calculations. All calculations under this Section 7 shall be made to the nearest cent or the nearest 1/100th of a share, as the case may be. For purposes of this Section 7, the number of shares of Common Stock deemed to be issued and outstanding as of a given date shall be the sum of the number of shares of Common Stock (excluding any treasury shares of the Corporation) issued and outstanding.

d. Notice to the Holders.

i. Adjustment to Conversion Price. Whenever the Conversion Price is adjusted pursuant to any provision of this Section 7, the Corporation shall promptly deliver to each Holder a notice setting forth the Conversion Ratio after such adjustment and setting forth a brief statement of the facts requiring such adjustment.

ii. Other Notices. If (A) the Corporation shall declare a dividend (or any other distribution in whatever form) on the Common Stock, (B) the Corporation shall declare a special nonrecurring cash dividend on or a redemption of the Common Stock, (C) the Corporation shall authorize the granting to all holders of the Common Stock of rights or warrants to subscribe for or purchase any shares of capital stock of any class or of any rights, (D) the approval of any stockholders of the Corporation shall be required in connection with any reclassification of the Common Stock, any consolidation or merger to which the Corporation is a party, any sale or transfer of all or substantially all of the assets of the Corporation, or any compulsory share exchange whereby the Common Stock is converted into other securities, cash or property, or (E) the Corporation shall authorize the voluntary or involuntary dissolution, liquidation or winding up of the affairs of the Corporation, then, in each case, the Corporation shall cause to be filed at each office or agency maintained for the purpose of conversion of the Series A Preferred Stock, and shall cause to be delivered to each Holder at its last address as it shall appear upon the stock books of the Corporation, at least 10 calendar days prior to the

applicable record or effective date hereinafter specified, a notice stating (x) the date on which a record is to be taken for the purpose of such dividend, distribution, redemption, rights or warrants, or if a record is not to be taken, the date as of which the holders of the Common Stock of record to be entitled to such dividend, distributions, redemption, rights or warrants are to be determined or (y) the date on which such reclassification, consolidation, merger, sale, transfer or share exchange is expected to become effective or close, and the date as of which it is expected that holders of the Common Stock of record shall be entitled to exchange their shares of the Common Stock for securities, cash or other property deliverable upon such reclassification, consolidation, merger, sale, transfer or share exchange, provided that the failure to deliver such notice or any defect therein or in the delivery thereof shall not affect the validity of the corporate action required to be specified in such notice.

Section 8. Miscellaneous.

a. Redemption. The Series A Preferred Stock is not redeemable.

b. Notices. Any and all notices or other communications or deliveries to be provided by the Holders hereunder including, without limitation, any Notice of Conversion, shall be in writing and delivered personally, via email, by facsimile, or sent by a nationally recognized overnight courier service, addressed to the Corporation, at 225 State Street, 9th Floor, Boston, MA, email deptula@pieris.com, or such other facsimile number or address as the Corporation may specify for such purposes by notice to the Holders delivered in accordance with this Section. Any and all notices or other communications or deliveries to be provided by the Corporation hereunder shall be in writing and delivered personally, by facsimile, or sent by a nationally recognized overnight courier service addressed to each Holder at the facsimile number or address of such Holder appearing on the books of the Corporation, or if no such facsimile number or address appears on the books of the Corporation, at the principal place of business of such Holder. Any notice or other communication or deliveries hereunder shall be deemed given and effective on the earliest of (i) the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section prior to 5:30 p.m. (New York City time) on any date, (ii) the date immediately following the date of transmission, if such notice or communication is delivered via facsimile at the facsimile number specified in this Section between 5:30 p.m. and 11:59 p.m. (New York City time) on any date, (iii) the second Business Day following the date of mailing, if sent by nationally recognized overnight courier service, or (iv) upon actual receipt by the party to whom such notice is required to be given.

c. Lost or Mutilated Series A Preferred Stock Certificate. If a Holder's Series A Preferred Stock certificate shall be mutilated, lost, stolen or destroyed, the Corporation shall execute and deliver, in exchange and substitution for and upon cancellation of a mutilated certificate, or in lieu of or in substitution for a lost, stolen or destroyed certificate, a new certificate for the shares of Series A Preferred Stock so mutilated, lost, stolen or destroyed, but only upon receipt of evidence of such loss, theft or destruction of such certificate, and of the ownership thereof, reasonably satisfactory to the Corporation and, in each case, customary and reasonable indemnity, if requested. Applicants for a new certificate under such circumstances shall also comply with such other reasonable regulations and procedures and pay such other reasonable third-party costs as the Corporation may prescribe.

d. Waiver. Any waiver by the Corporation or a Holder of a breach of any provision of this Certificate of Designation shall not operate as or be construed to be a waiver of any other breach of such provision or of any breach of any other provision of this Certificate of Designation or a waiver by any other Holders. The failure of the Corporation or a Holder to insist upon strict adherence to any term of this Certificate of Designation on one or more occasions shall not be considered a waiver or deprive that party (or any other Holder) of the right thereafter to insist upon strict adherence to that term or any other term of this Certificate of Designation. Any waiver by the Corporation or a Holder must be in writing. Notwithstanding any provision in this Certificate of Designation to the contrary, any provision contained herein and any right of the Holders of Series A Preferred Stock granted hereunder may be waived as to all shares of Series A Preferred Stock (and the Holders thereof) upon the written consent of the Holders of not less than a majority of the shares of Series A Preferred Stock then outstanding, unless a higher percentage is required by the NRS, in which case the written consent of the Holders of not less than such higher percentage shall be required.

e. Severability. If any provision of this Certificate of Designation is invalid, illegal or unenforceable, the balance of this Certificate of Designation shall remain in effect, and if any provision is inapplicable to any Person or circumstance, it shall nevertheless remain applicable to all other Persons and circumstances. If it shall be found that any interest or other amount deemed interest due hereunder violates the applicable law governing usury, the applicable rate of interest due hereunder shall automatically be lowered to equal the maximum rate of interest permitted under applicable law.

f. Next Business Day. Whenever any payment or other obligation hereunder shall be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day.

g. Headings. The headings contained herein are for convenience only, do not constitute a part of this Certificate of Designation and shall not be deemed to limit or affect any of the provisions hereof.

h. Status of Converted Series A Preferred Stock. If any shares of Series A Preferred Stock shall be converted or reacquired by the Corporation, such shares shall, without need for any action by the Board of Directors or otherwise, resume the status of authorized but unissued shares of preferred stock and shall no longer be designated as Series A Preferred Stock.

IN WITNESS WHEREOF, the undersigned has executed this Certificate of Designation this 7th day of June 2016.

PIERIS PHARMACEUTICALS, INC.

By: /s/ Stephen S. Yoder

Name: Stephen S. Yoder

Title: President and Chief Executive Officer

Signature Page to Certificate of Designation

ANNEX A

NOTICE OF CONVERSION

(TO BE EXECUTED BY THE REGISTERED HOLDER IN ORDER TO CONVERT SHARES
OF SERIES A PREFERRED STOCK)

The undersigned Holder hereby irrevocably elects to convert the number of shares of Series A Convertible Preferred Stock indicated below, represented by stock certificate No(s). (the "**Preferred Stock Certificates**"), into shares of common stock, par value \$0.001 per share (the "**Common Stock**"), of Pieris Pharmaceuticals, Inc., a Nevada corporation (the "**Corporation**"), as of the date written below. If securities are to be issued in the name of a person other than the undersigned, the undersigned will pay all transfer taxes payable with respect thereto. Capitalized terms utilized but not defined herein shall have the meaning ascribed to such terms in that certain Certificate of Designation of Preferences, Rights and Limitations of Series A Convertible Preferred Stock (the "**Certificate of Designation**") filed by the Corporation with the Secretary of State of the State of Nevada on June [], 2016.

As of the date hereof, the number of shares of Common Stock beneficially owned by the undersigned Holder (together with such Holder's Affiliates, and any other Person whose beneficial ownership of Common Stock would be aggregated with the Holder's for purposes of Section 13(d) of the Exchange Act and the applicable regulations of the Commission, including any "group" of which the Holder is a member), including the number of shares of Common Stock issuable upon conversion of the Series A Preferred Stock subject to this Notice of Conversion, but excluding the number of shares of Common Stock which are issuable upon (A) conversion of the remaining, unconverted Series A Preferred Stock beneficially owned by such Holder or any of its Affiliates, and (B) exercise or conversion of the unexercised or unconverted portion of any other securities of the Corporation (including any warrants) beneficially owned by such Holder or any of its Affiliates that are subject to a limitation on conversion or exercise similar to the limitation contained in Section 6(c) of the Certificate of Designation, is []. For purposes hereof, beneficial ownership shall be calculated in accordance with Section 13(d) of the Exchange Act and the applicable regulations of the Commission. In addition, for purposes hereof, "**group**" has the meaning set forth in Section 13(d) of the Exchange Act and the applicable regulations of the Commission.

Conversion calculations:

Date to Effect Conversion: _____

Number of shares of Series A Preferred Stock owned prior to
Conversion: _____

Number of shares of Series A Preferred Stock to be
Converted: _____

Number of shares of Common Stock to be Issued: _____

Address for delivery of physical certificates: _____

or

for DWAC Delivery:

DWAC

Instructions:

Broker no: _____

Account no: _____

[HOLDER]

By: _____

Name: _____

Title: _____

Date: _____

[HOLDER]

By: _____

Name: _____

Title: _____

Date: _____

CONFIDENTIAL TREATMENT REQUESTED**DEFINITIVE****LICENSE AND TRANSFER AGREEMENT**

This Definitive License and Transfer Agreement (the "Agreement") is entered into with effect as of June 6, 2016 (the "**Effective Date**") by and between Pieris Pharmaceuticals, Inc., a Nevada corporation with a place of business at 255 State Street, 9th Floor, Boston, MA 02109 and Pieris Pharmaceuticals GmbH, a German company with a place of business at Lise-Meitner-Strasse 30, 85354 Freising, Germany (collectively and together with their Affiliates, "**Pieris**") and Enumeral Biomedical Holdings, Inc., a Delaware corporation with a place of business at 200 CambridgePark Drive, Suite 2000, Cambridge, MA 02140 (together with its Affiliates, "**Enumeral**").

Whereas, Enumeral possesses proprietary technology and intellectual property rights related to certain antibodies; and

Whereas, Pieris wishes to obtain one or more of such antibodies for development and commercialization and a license to intellectual property related to such antibodies; and

Whereas, Enumeral is willing to provide such antibodies and license such intellectual property to Pieris for development and commercialization of novel compounds comprising fusion proteins based on such antibodies in oncology;

Whereas, the Parties previously entered into a license and transfer agreement effective April 18, 2016 (the "**Original Agreement**") that contemplated the execution of this Definitive License and Transfer Agreement to fully set forth the terms of Enumeral's license and transfer to Pieris; and

Therefore, in consideration of the mutual covenants and promises contained in this Agreement and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties hereto, intending to be legally bound, do hereby agree as follows:

1. Definitions. As used in this Agreement, the following terms, whether used in the singular or plural, shall have the following meanings:

Affiliate. The term "Affiliate" shall mean any individual, corporation, association or other business entity that directly or indirectly controls, is controlled by, or is under common control with the Party in question. As used in this definition of "Affiliate" only, the term "control" shall mean the direct or indirect ownership of more than fifty percent (>50%) of the stock having the right to vote for directors thereof or the ability to otherwise control the management of the corporation or other business entity whether through the ownership of voting securities, by contract, resolution, regulation or otherwise.

Anticalin®. The term "Anticalin" shall mean any mutein of any lipocalin protein or nucleic acid encoding such protein. The term "mutein" shall mean a protein or nucleic acid obtained as a result of a mutation or a recombinant DNA procedure.

BLA. The term "BLA" or "Biologics License Application" shall mean a request to the FDA for permission to introduce, or deliver for introduction, a biologic product into interstate commerce under 21 CFR § 601.2 or its foreign equivalent.

*Portions of the exhibit, indicated by the mark "[***]," were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant's application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

CONFIDENTIAL TREATMENT REQUESTED

Calendar Quarter. The term “Calendar Quarter” means each three-month period in any year commencing with January 1 of such year.

Commercially Reasonable Efforts. The term “Commercially Reasonable Efforts” shall mean such level of efforts required to carry out such obligation in a manner consistent with the efforts that a pharmaceutical company comparable with Pieris would devote at the same stage of development or commercialization, as applicable, for its own internally developed therapeutic products in a similar area with similar market potential, at a similar stage of its product life, taking into account the existence of other competitive products in the market place or under development, the proprietary position of the product, the regulatory structure involved, intellectual property considerations, the anticipated profitability of the product and other relevant factors. It is understood that such product potential may change from time to time based upon changing scientific, business and marketing and return on investment considerations. For avoidance of any doubt, the fact that there may be competing product developments within Pieris shall not constitute a factor to be taken into account in the determination of Commercially Reasonable Efforts. Further, for the avoidance of doubt, Commercially Reasonable Efforts do not require Pieris to seek to market any therapeutic product in every country or seek to obtain regulatory approval in every country or for every potential Indication.

Confidential Information. The term “Confidential Information” means all nonpublic information disclosed in oral, written, electronic or other form or otherwise learned by the Party receiving such information (the “**Recipient**”), including but not limited to information regarding the activities of the party disclosing such information (the “**Discloser**”), such as research, development, preclinical and clinical programs, data and results; pharmaceutical or biologic candidates and products; inventions, works of authorship, trade secrets, processes, conceptions, formulas, patents, patent applications, and licenses; business, product, marketing, sales, scientific and technical strategies, programs and results, including costs and prices; suppliers, manufacturers, customers, market data, personnel, and consultants; and other confidential matters related to Discloser. Pieris’ Confidential Information shall specifically include any and all non-public sequence information provided by Pieris to Enumeral of Anticalin proteins and/or lipocalin muteins, any and all therapeutic or diagnostic information of Anticalin proteins and/or lipocalin muteins including any therapeutic drug programs derived therefrom, any and all information disclosed by Pieris to Enumeral relating to target molecules of Anticalin proteins; provided however that Pieris shall not disclose any information related to the target molecules of any Anticalin to Enumeral without the prior written consent of Enumeral. “Enumeral Confidential Information” shall be Confidential Information disclosed by Enumeral and “Pieris Confidential Information” shall be Confidential Information disclosed by Pieris.

Developed IP. The term “Developed IP” shall have the meaning set forth in Section 6.

Enumeral IP. The term “Enumeral IP” shall mean (i) Know-How Enumeral owns or controls with respect to the First Antibody as of the Effective Date, (ii) Know-How Enumeral owns or controls with respect to any Subsequent Antibod(ies) as of the Option Exercise Date (as defined in Section 4.7) and (iii) the Patent Rights Enumeral owns or controls during the Term that are necessary for Pieris to develop and commercialize Products under this Agreement,

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including but not limited to the Patent Rights that cover the First Antibody and, as of an Option Exercise Date, any Subsequent Antibod(ies) for which the Subsequent Antibody Option was exercised; and in the case of each clause (i), (ii) and (iii) only as such Know How and Patent Rights relate to the First Antibody and/or any Subsequent Antibod(ies), methods of using, administering, manufacturing or formulating said First Antibody or Subsequent Antibod(ies). Such Patent Rights owned by Enumeral as of the Effective Date are listed in Exhibit A.

Exclusive Field. The term “Exclusive Field” shall mean any use or activity within the Field that involves a First Antibody or a Subsequent Antibody fused with or linked to one or more Anticalin proteins.

Field. The term “Field” shall mean, all therapeutic, prophylactic, diagnostic and palliative uses in oncology.

First Antibody. The term “First Antibody” shall mean, individually and collectively, the anti-PD-1 antibody clones listed in Exhibit B, and all Modifications thereof. To the extent that any Patent Rights in the Enumeral IP include any claim(s) that relate to any antibody other than those listed in Exhibit B, the First Antibody shall be limited the particular antibody clones listed in Exhibits B, and any Modifications thereof.

FDA. The term “FDA” shall mean the U.S. Food and Drug Administration.

GLP Tox Study. The term “GLP Tox Study” means, with respect to a Product, a study conducted in accordance with GLP for the purposes of assessing the efficacy, safety or the onset, severity, and duration of toxic effects and their dose dependency to establish a profile sufficient to support the filing of an investigational new drug application.

Good Laboratory Practice or GLP. The term “Good Laboratory Practice” or “GLP” means the then-current Good Laboratory Practice Standards promulgated or endorsed by FDA or in the case of any other country in the Territory, comparable regulatory standards promulgated or endorsed by that country, including those procedures expressed in or contemplated by any regulatory filings.

Indication. The term “Indication” shall mean a distinct type of disease or medical condition in humans to which a Product is directed and eventually approved in the Field. To distinguish one Indication from another Indication, the two Indications have to be (i) listed in two different blocks of the Tenth Revision of the International Classifications of Diseases and Related Health Problems of 2010 (as a way of example, any neoplasm under C15 is in a different block from any neoplasm under block C16, whereas C15.0 and C15.1 belong to the same block), and (ii) developed under a separate Phase II Clinical Trial and Phase III Clinical Trial.

Know-How. The term “Know-How” shall mean sequence information, data, knowledge and information, including chemical manufacturing data, toxicological data, pharmacological data, preclinical data, formulations, specifications, quality control testing data, that are necessary or useful for the discovery, manufacture, development or commercialization of any Product existing as of the date of this Agreement with respect to the First Antibody, and as of the Option Exercise Date with respect to any Subsequent Antibody. For purposes of this

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Agreement, Know-How does not include antibody screening technology. Notwithstanding anything in this definition of Know-How, Enumeral shall be under no obligation to provide samples of the First Antibody or any Subsequent Antibody.

Maintenance Fee. The term “Maintenance Fee” shall have the meaning set forth in Section 4.

Major Markets. The term Major Markets means the territories of North America, European Union and Japan.

Marketing Authorization. The term “Marketing Authorization” shall mean shall mean any approvals, licenses, registrations or authorizations, including any pricing approvals, necessary for the sale of a Product on the market in any country of the Territory as granted by a competent regulatory authority.

Modifications. The term “Modifications” means an alteration, mutation or derivative of the First Antibody or any Subsequent Antibody invented, conceived or reduced to practice by or on behalf of Pieris, its Affiliates or its Sublicensees. For avoidance of doubt, Modification shall not mean the First Antibody or any Subsequent Antibody fused with or linked to an Anticalin.

Net Sales. The term “Net Sales” shall mean for a Product in a particular period, the sum of (1) and (2):

(1) the gross amount invoiced by Pieris for sale of Products to Third Parties in the Field and Territory, excluding transactions transferring a Product to a Pieris Affiliate, Sublicensee, distributor and/or agent for resale, less the sum of the following items:

- (a) customary trade, prompt payment, quantity or cash discounts to the extent actually allowed and taken;
- (b) amounts repaid or credited by reason of rejection, recalls or returns;
- (c) to the extent separately stated on purchase orders, invoices or other documents of sale, any taxes, duties, tariffs or other governmental charges levied on the production, sale, transportation, delivery or use of a Product;
- (d) outbound transportation costs prepaid or allowed and costs of insurance of transit;
- (e) discounts or rebates or other payments required by law to be made under Medicaid, Medicare or other governmental special medical assistance programs to the extent actually allowed and taken; and
- (f) amounts written off by reason of uncollectible bad debt, but not to exceed [***] of the Net Sales per calendar year.

No other deductions shall be made for commissions paid to individuals whether they be with independent sales agencies or regularly employed by Pieris and on its payroll, or for the cost of collections. Products shall be considered “sold” ninety (90) days after billing or invoicing, or upon receipt of payment, whichever comes first, provided, however, that Products are actually shipped to customers.

(2) for Sublicensees, the net sales amounts reported to Pieris in accordance with the Sublicensee contractual terms and their then-currently used accounting standards (provided, however, that such accounting standards are consistent with the US GAAP and/or IFRS or such other internationally recognized accounting standards as may be agreed by the Parties).

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Party. The term “Party” shall mean Pieris or Enumeral, as the case may be, and “Parties” shall mean Pieris and Enumeral collectively.

Patent Rights. The term “Patent Rights” shall mean all rights under any patent or patent application, in any country of the Territory, including any patents issuing on such patent application, and further including any substitution, extension or supplementary protection certificate, reissue, reexamination, renewal, division, continuation or continuation-in-part to any of the foregoing.

Phase I Clinical Trial. The term “Phase I Clinical Trial” means a human clinical trial for any Product in any country that would satisfy the requirements of 21 CFR 312.21(a).

Phase II Clinical Trial. The term “Phase II Clinical Trial” means a human clinical trial conducted in any country that would satisfy the requirements of 21 CFR 312.21(b) and is intended to explore one or more doses, dose response, and duration of effect, and to generate initial evidence of clinical activity and safety, for any Product in the target patient population.

Phase III Clinical Trial. The term “Phase III Clinical Trial” means a clinical trial in an extended human patient population designed to obtain data determining efficacy and safety of any Product to support regulatory approvals in the proposed therapeutic indication, as more fully defined in 21 C.F.R. §312.21(c), or its successor regulation, or the equivalent in any foreign country.

Product. The term “Product” means a fusion protein, protein construct, or formulation comprising such fusion protein or protein construct, that incorporates all or part of a First Antibody, Subsequent Antibody or Modification, wherein the First Antibody, Subsequent Antibody, or portion thereof is fused with or linked to at least one Anticalin moiety. The term “Product” also includes such protein construct as may further comprise one or more additional moieties; provided that at least one is an Anticalin moiety. The term “Product” expressly includes bi-specific and multi-specific fusion proteins or protein constructs against at least two and up to an unlimited number of targets.

Royalty Term. The term “Royalty Term” shall mean, on a product-by-product and country-by-basis, the period of time commencing on the date of first commercial sale of the Product in a given country and ending on the later of the date that is: (a) ten (10) years after the date of the first commercial sale of the Product in such country; or (b) with respect to (i) the First Antibody, the expiration of the last to expire, to lapse, or to be abandoned of any Valid Claim in the Patent Rights in the Enumeral IP that cover the manufacture, use, offer for sale, sale or import of the Product that are filed as of the Effective Date, or that claim priority from the Patent Rights in the Enumeral IP that cover the manufacture, use, offer for sale, sale or import of the Product that are filed as of the Effective Date, and (ii) each Subsequent Antibody, the expiration of the last to expire, to lapse, or to be abandoned of any Valid Claim in the Patent Rights in the Enumeral IP that cover the manufacture, use, offer for sale, sale or

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import of the Product that are filed as of the Option Exercise Date for such Subsequent Antibody, or that claim priority from the Patent Rights in the Enumeral IP that cover the manufacture, use, offer for sale, sale or import of the Product that are filed as of the Option Exercise Date for such Subsequent Antibody.

Sublicensee. The term “Sublicensee” shall mean an entity to which Pieris has licensed any right (through one or multiple tiers) pursuant to this Agreement.

Subsequent Antibody. The term “Subsequent Antibody” or “Subsequent Antibodies” shall mean, individually or collectively the antibody or antibodies, and all Modifications thereof, which principally and specifically bind(s) to one of the targets known as [***] and/or [***] as will be described in Exhibit C that is or are licensed to Pieris pursuant to Section 4.7. To the extent that any Patent Rights in the Enumeral IP include any claim(s) that relate to any antibody other than those listed in Exhibit C, the Subsequent Antibody or Subsequent Antibodies shall be limited the particular antibody clones listed in Exhibit C, and any Modifications thereof. For avoidance of doubt, any Subsequent Antibody includes any murine, chimeric and humanized versions of the antibody or the antibodies generated through the Option Exercise Date.

Subsequent Antibody Option. The term “Subsequent Antibody Option” shall have the meaning set forth in Section 4.7.

Territory. The term “Territory” shall mean all countries of the world.

Term. The term “Term” shall have the meaning set forth in Section 9.1.

Third Party. The term “Third Party” shall mean any party other than Pieris or Enumeral.

Valid Claim. The term “Valid Claim” means any claim of an issued and unexpired patent which claim has not been revoked or held unenforceable, unpatentable, or invalid by a decision of a court or governmental agency of competent jurisdiction from which no further appeal can be taken or has been taken within the time allowed for appeal, and has not been abandoned, disclaimed, denied or admitted to be invalid or unenforceable through reissue or disclaimer (including through terminal disclaimer), and is not lost through an interference proceeding, *inter partes* review, post-grant review proceeding or foreign equivalent, that is unappealable as a matter of right or unappealed within the time allowed for appeal.

2. Grant of License, Transfer, and Exclusive Field

2.1 License to Pieris. Subject to the terms and conditions hereof, Enumeral hereby grants to Pieris during the Term a currently effective, royalty bearing, non-exclusive (except as to the Exclusive Field) right and license (including the right to sublicense through multiple tiers pursuant to the terms and conditions herein), under Enumeral IP, to research, have researched, develop, have developed, register, have registered, use, have used, make, have made, import, have imported, export, have exported, market, have marketed, distribute, have distributed, sold and have sold Products in the Field and in the Territory. The license to Pieris includes the right to make Modifications to any First Antibody and any Subsequent Antibody elected under Section 4.7.

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2.2 Transfer. The Parties acknowledge that, pursuant to Section 2.2 of the Original Agreement, Enumeral has provided sequence information and Know-How related to the First Antibody. Within ten (10) days of the Option Exercise Date, Enumeral shall provide to Pieris any requested Know-How related to any Subsequent Antibody generated by Enumeral through the Option Exercise Date. To the extent not already in the possession of Pieris, this shall include all sequence information for any Subsequent Antibody, including any humanized or chimeric versions of such antibody.

2.3 Exclusive Field. Until the completion of all royalty payments under Section 4.5, Enumeral hereby covenants and agrees it shall not practice in the Exclusive Field. During the Royalty Term, Enumeral shall not conduct any research or development activities in the Exclusive Field, file any patent applications claiming any invention in the Exclusive Field, or assist any Third Party in doing so. Enumeral shall not out-license any Enumeral IP to any Affiliate or Third Party for use in the Exclusive Field, and shall, if applicable, include in any out-license or other agreement a restriction prohibiting the use of a First Antibody and/or Subsequent Antibody in the Exclusive Field. Enumeral shall remain responsible for enforcement of this Section and shall be liable for any breach of this Section by any licensee or sublicensee of Enumeral that violate this Section. Notwithstanding the foregoing, nothing herein shall be deemed to prevent any Third Party from acquiring Enumeral, even if it is engaged in the research, development or sale of lipocalins, provided it does not use lipocalins or lipocalin muteins with the First Antibody, Subsequent Antibody, or portion thereof in any research or development efforts during the Term.

2.4 Sublicenses. Pieris shall have the right to sublicense or subcontract (through multiple tiers) without the prior consent of Enumeral; provided, however, that in the event of such sublicensing, (a) such Sublicensees will be subject to at least the same confidentiality and diligence obligations Pieris has hereunder, and (b) Pieris will remain liable for all the terms and conditions of this Agreement and for any breach by the Sublicensee of these terms, (c) Pieris promptly notifies Enumeral of any Sublicense along with the identity of the applicable Sublicensee(s), and (d) all Sublicenses shall be in writing. Pieris shall not sublicense the First Antibody, any Subsequent Antibody or a Modification unless it is part of a Product.

3. Diligence.

3.1 Diligence. During the Term of the Agreement, Pieris shall use Commercially Reasonable Efforts to develop at least one Product for sale in at least each of the Major Markets.

4. Payments.

4.1 Initial Fee. The Parties acknowledge that Pieris has paid to Enumeral an initial fee of \$250,000 consistent with Section 4.1 of the Original Agreement.

4.2 Maintenance Fee. The Parties acknowledge that Pieris has paid to Enumeral a maintenance fee of \$750,000 on May 31, 2016 (“**Maintenance Fee**”).

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4.3 Development Milestone Payments. With respect to each of the First Antibody and the Subsequent Antibody, Pieris shall pay the following milestone payments to Enumeral by the later of (i) [***] days of the occurrence of [***] Product (and [***] and [***] Product) to achieve each of the following events and (ii) [***] days of the occurrence of the following events for any corresponding milestone payment with respect to any payment from Sublicensee to Pieris:

<u>Development Event</u>	<u>[***] Product, [***] Indication</u>	<u>[***] Product or Indication</u>	<u>[***] Product or Indication</u>
Start of GLP Tox Studies	[***]	[***]	[***]
Phase I Clinical Trial initiation (first in person dosing)	[***]	[***]	[***]
Phase II Clinical Trial initiation (first in patient dosing)	[***]		
Phase III Clinical Trial initiation	[***]		
BLA filing US	[***]		
BLA or other marketing authorization filing EU	[***]		
BLA or other marketing authorization filing JP	[***]	[***]	[***]
BLA or other marketing authorization approval US	[***]		
BLA or other marketing authorization approval EU	[***]		
BLA or other marketing authorization approval JP	[***]		
Total	[***]		
Grand Total	\$37,750,000 (thirty seven million seven hundred and fifty thousand dollars)		

In no event shall milestone payments paid by Pieris under this Section 4.3 exceed \$37,750,000 (thirty-seven million seven hundred and fifty thousand dollars) for the First Antibody and \$37,750,000 (thirty-seven million seven hundred and fifty thousand dollars) for the Subsequent Antibody.

4.4 Sales Milestone Payments. With respect to each of the First Antibody and the Subsequent Antibody, Pieris shall pay the following sales milestone payments to Enumeral by the later of

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(i) [***] days of the occurrence of [***] Product to achieve each of the following events and (ii) [***] days of the occurrence of the following events for any corresponding milestone payment with respect to any payment from Sublicensee to Pieris:

Net sales threshold	[***] Product	[***] Product
1st year with Net Sales [***]	[***]	[***]
1st year with Net Sales [***]	[***]	[***]
1st year with Net Sales [***]	[***]	[***]
Total	[***]	[***]
Grand Total	\$67,500,000 (sixty seven million five hundred thousand dollars)	

In no event shall milestone payments paid by Pieris under this Section 4.4 exceed \$67,500,000 (sixty-seven million five hundred thousand dollars) for the First Antibody and \$67,500,000 (sixty-seven million five hundred thousand dollars) for the Subsequent Antibody. Net Sales shall be calculated on a worldwide basis.

4.5 Royalty Payments. During the Royalty Term, Pieris shall pay the following royalty payments to Enumeral within the time set forth in Section 5.2(b):

Royalty Tier	Royalty Rate on incremental annual Net Sales
[***] in Net Sales	[***]
[***] in Net Sales	[***]
[***] in Net Sales	[***]
[***] in Net Sales	[***]

Royalty payments under this Section 4.5 shall be incremental and calculated and paid on a Product-by-Product and on a worldwide basis. For avoidance of doubt, the Royalty Term shall be on a country-by country basis and a royalty under this Section 4.5 shall not be paid for Net Sales in countries where the Royalty Term has expired. After the Royalty Term has expired, on a country-by-country basis, the license granted to Pieris under Section 2.1 shall be fully paid up, irrevocable, and royalty-free.

4.6 Royalty Payment Reduction.

4.6(a) In the event that it becomes necessary for Pieris to enter into a license agreement, or other agreement, and pay a license fee or royalty to any Third Party due solely to the inclusion of a First Antibody or Subsequent Antibody in a Product, the royalty payment described in Section 4.5 shall be reduced by the amount of such Third Party payment, up to [***] of the royalty payment for each calendar year. For the avoidance of doubt, in no event shall the royalty rate under Section 4.5 be reduced by more than [***] in any period.

4.6(b) In the event that no valid patent claim issues from the Enumeral IP covering the First Antibody or Subsequent Antibody in a country or that all claims of the Enumeral IP covering the First Antibody or Subsequent Antibody are subsequently invalidated in a country, then the royalty shall be reduced by fifty percent (50%) for the duration of the Royalty Term on a country-by-country basis. For the avoidance of doubt, in no event shall the royalty rate under Section 4.5 be reduced by more than fifty percent (50%) in any period.

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4.7 Subsequent Antibody Option.

- (a) Enumeral hereby grants to Pieris an exclusive option, for a period ending on May 31, 2017, to license one or both Subsequent Antibodies in order to develop and commercialize one or more additional Products within the Field (“**Subsequent Antibody Option(s)**”).
- (b) To the extent that additional Know-How related to a selected Subsequent Antibody is generated through May 31, 2017, then Enumeral shall provide Pieris with such Know-How upon Pieris’ request prior to and through the Option Exercise Date. For avoidance of doubt, this includes full sequence information for any humanized or chimeric versions of any Subsequent Antibody.
- (c) If Pieris wishes to exercise one or two Subsequent Antibody Options, Pieris shall provide written notice to Enumeral of its election to exercise the option during the period commencing on the Effective Date and ending on May 31, 2017 (the “**Option Period**”). Exercise of a Subsequent Antibody Option shall be by delivering to Enumeral written notice of Pieris’s election specifying the Subsequent Antibody(ies), accompanied by the applicable payment amount(s) specified below. The date on which such written notice and related payment for a Subsequent Antibody is received by Enumeral is referred to as an “**Option Exercise Date.**” For the avoidance of doubt, Pieris may exercise the Subsequent Antibody Options separately and on different dates during the Option Period. If Pieris exercises the Subsequent Antibody Option for one Subsequent Antibody, Pieris shall pay Enumeral [***]. If Pieris exercises the Subsequent Antibody Option for the other Subsequent Antibody, Pieris shall pay Enumeral [***]. In the event that Pieris exercises the Subsequent Antibody Options for both [***] and [***], Pieris shall pay Enumeral an aggregate amount of [***].
- (d) Within [***] days of such payment(s) according to Section 4.7(c), Enumeral shall provide to Pieris, to the extent not already in Pieris’ possession, Know-How Enumeral owns or controls for any Subsequent Antibody useful or necessary for Pieris to develop and commercialize Products under this Agreement. Such Know-How explicitly includes sequence information for any Subsequent Antibody. For avoidance of doubt, this further includes all sequence information for any humanized or chimeric version of any Subsequent Antibody that may be generated in the ordinary course of business through the applicable Option Exercise Date.

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(e) Should Pieris exercise the Subsequent Antibody Option(s), the license(s) to the Subsequent Antibod(ies) shall be effective as of the applicable Option Exercise Date.

(f) In the event that Pieris exercises the Subsequent Antibody Option(s), this Agreement shall apply to the Subsequent Antibody(ies) *mutatis mutandis* as if the Subsequent Antibody(ies) were a new First Antibody, meaning all terms shall apply to it or them in addition to the application of the terms to the First Antibody.

(g) For the avoidance of doubt, Pieris is under no obligation to exercise one or both Subsequent Antibody Option(s) or make the payment described in this Section 4.7. If Pieris does not exercise the Subsequent Antibody Option(s), this Agreement shall continue to be effective.

4.8 Development and Commercialization. Pieris shall be solely responsible for development and commercialization of all Products under this Agreement, and shall have no obligation to consult with Enumeral regarding such development or commercialization activities.

5. Reports; Payments; Records.

5.1 Reports and Payments.

(a) Reports. Within [***] days after the conclusion of each Calendar Quarter commencing with the first Calendar Quarter in which Net Sales are generated, Pieris shall deliver to Enumeral a report containing the following information (in each instance, on a Product-by-Product basis):

- (i) the amount of Products sold, leased or otherwise transferred or performed by Pieris, its Affiliates and Sublicensees for the applicable Calendar Quarter;
- (ii) the gross amount billed or invoiced for Products sold, leased or otherwise transferred or performed by Pieris, its Affiliates and Sublicensees during the applicable Calendar Quarter;
- (iii) a calculation of Net Sales for the applicable Calendar Quarter;
- (iv) the total amount payable to Enumeral in U.S. Dollars on Net Sales for the applicable Calendar Quarter, together with the exchange rates used for conversion.

Each such quarterly report shall be certified on behalf of Pieris by its chief financial officer as true, correct and complete in all material respects. If no amounts are due to Enumeral for a particular Calendar Quarter, the report shall so state. To the extent that any of the information described in this Section 5.1(a) is not received from a Sublicensee, Pieris shall not be required to provide such information to Enumeral but shall take actions to obtain such information.

(b) Payment. Within the later of (i) [***] days after the end of each Calendar Quarter and (ii) [***] days after the end of each Quarter with respect to any payment from any Sublicensee, Pieris shall pay Enumeral all amounts due with respect to Net Sales for the applicable Calendar Quarter.

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5.2. Payment Currency. All payments due under this Agreement will be paid in U.S. Dollars. Conversion of foreign currency to U.S. Dollars will be made at the conversion rate existing in the United States (as reported in the Wall Street Journal) on the last working day of the applicable Calendar Quarter. Such payments will be without deduction of exchange, collection or other charges.

5.3. Records. Pieris shall maintain, and shall, if applicable, cause its Affiliates to maintain, complete and accurate records of Products that are sold, leased or transferred under this Agreement, any amounts payable to Enumeral in relation to such Products, which records shall contain sufficient information to permit Enumeral to confirm the accuracy of any reports or notifications delivered to Enumeral under Section 5.1. Pieris and its Affiliates, as applicable, shall retain such records relating to a given Calendar Quarter for at least [***] years after the conclusion of that Calendar Quarter, during which time Enumeral will have the right, at its expense, to cause an independent, certified public accountant to inspect such records of Pieris during normal business hours for the purposes of verifying the accuracy of any reports and payments delivered under this Agreement and Pieris' compliance with the terms hereof. Such accountant or other auditor, as applicable, shall not disclose to Enumeral any information other than information relating to the accuracy of reports and payments delivered under this Agreement. The Parties shall reconcile any underpayment or overpayment within [***] days after the accountant delivers the results of the audit. If any audit performed under this Section 5.3 reveals an underpayment in excess of [***] in any calendar year, Pieris shall reimburse Enumeral for all amounts incurred in connection with such audit. For avoidance of doubt, Enumeral shall not have the right to audit or inspect Sublicensee(s) directly but may audit or inspect any applicable materials received from Sublicensee and in the possession of Pieris. Pieris, however, shall audit Sublicensees and require royalty and milestone reports in connection with any Sublicense. Enumeral may exercise its rights under this Section 5.3 only once every 12-month period and only with reasonable prior notice.

5.4. Late Payments. Any payments by Pieris that are not paid on or before the date such payments are due under this Agreement will bear interest at [***] per month. Interest will accrue beginning on the first day following the due date for payment and will be compounded quarterly. Payment of such interest by Pieris shall not limit, in any way, Enumeral's right to exercise any other remedies Enumeral may have as a consequence of the lateness of any payment.

5.5. Payment Method. Each payment due to Enumeral under this Agreement shall be paid by check or wire transfer of funds to Enumeral's account in accordance with written instructions provided by Enumeral. If made by wire transfer, such payments shall be marked so as to refer to this Agreement.

5.6. Withholding and Similar Taxes. Enumeral will be responsible for and will pay all applicable taxes on all payments received from Pieris in connection with this Agreement. If Pieris is required to withhold any amounts payable hereunder to Enumeral due to the applicable laws of any country, such amount will be deducted from the payment to be made by Pieris and remitted to the appropriate taxing authority for the benefit of Enumeral. Pieris will withhold only such amounts as are required to be withheld by applicable law in the

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country from which payment is being made. Pieris shall submit to Enumeral originals of the remittance voucher and the official receipt evidencing the payment of the corresponding taxes with the applicable royalty report. Pieris will cooperate with Enumeral to provide such information and records as Enumeral may require in connection with any application by Enumeral to the tax authorities in any country, including attempt to obtain an exemption or a credit for any withholding tax paid in any country.

6. Intellectual Property.

6.1 Product Intellectual Property. Pieris shall have the right to file patent applications on inventions developed by, at the direction of, or under the sponsorship of Pieris (including but not limited to inventions conceived by Pieris employees, contractors, consultants, and/or Sublicensees) related to any Product, materials, processes or other intellectual property generated under this Agreement including any methods of manufacture, methods of use, or formulations thereof (“**Developed IP**”). Developed IP includes but is not limited to intellectual property directed to the sequence for any Product, Modifications of the First Antibody and any Subsequent Antibody elected under Section 4.7, and formulations, methods of use, and methods of manufacture thereof. In the event of termination of this Agreement, Pieris shall continue to own such intellectual property.

7. Liability and Indemnification.

7.1 Indemnity by Enumeral. Enumeral shall indemnify, defend and hold harmless Pieris, its Affiliates, their respective directors, officers, employees and agents, and their respective successors, heirs and assigns (collectively, the “Pieris Indemnitees”) from and against all liabilities, damages, losses and expenses (including reasonable attorneys’ fees and expenses of litigation) (collectively, “Losses”) (i) incurred by or imposed upon the Pieris Indemnitees, or any of them, as a result of any claim by the Massachusetts Institute of Technology (“MIT”), Whitehead Institute for Biomedical Research, the General Hospital Corporation (d/b/a Massachusetts General Hospital), the President and Fellows of Harvard College, and Howard Hughes Medical Institute (collectively the “MIT Agreement Parties”) in connection with any agreement between the MIT Agreement Parties and Enumeral, or (ii) incurred by or imposed upon any Pieris Indemnitees, as a direct result of claims, suits, actions, demands by, or judgments in favor of, Third Parties arising out of or resulting from a breach of the representations and warranties hereunder (collectively, the “Pieris Indemnity Claims”).

7.2 Indemnity by Pieris. Pieris shall indemnify, defend and hold harmless Enumeral, its Affiliates, their respective directors, officers, employees and agents, and their respective successors, heirs and assigns (collectively, the “Enumeral Indemnitees”) against any Losses incurred by or imposed upon any Enumeral Indemnitees, as a direct result of claims, suits, actions, demands by, or judgments in favor of, Third Parties arising out of or resulting from (i) the development, commercialization, manufacture or use of any Product either before or after the receipt of any Marketing Authorization or (ii) any breach of the representations and warranties hereunder (collectively, the “Enumeral Indemnity Claims”).

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CONFIDENTIAL TREATMENT REQUESTED

7.3 Conditions for Indemnification. A Person seeking recovery under this Section 7 (the “Indemnified Party”) in respect of a Claim shall give prompt notice of such Claim to the Party from whom indemnification is sought (the “Indemnifying Party”); and provided that the Indemnifying Party is not contesting its obligation under this Section 7, shall permit the Indemnifying Party to control any litigation relating to such Claim and the disposition of such Claim; and further provided, that the Indemnifying Party shall (a) act reasonably and in good faith with respect to all matters relating to the settlement or disposition of such Claim as the settlement or disposition relates to such Indemnified Party and (b) not settle or otherwise resolve such claim without the prior written consent of such Indemnified Party (which consent shall not be unreasonably withheld, conditioned or delayed). Each Indemnified Party shall cooperate with the Indemnifying Party in its defense of any such Claim in all reasonable respects and shall have the right to be present in person or through counsel at all legal proceedings with respect to such Claim. If the Indemnifying Party does not assume and conduct the defense of the Claim as provided above, (a) the Indemnified Party may defend against, consent to the entry of any judgment, or enter into any settlement with respect to such Claim in any manner the Indemnified Party may deem reasonably appropriate (and the Indemnified Party need not consult with, or obtain any consent from, the Indemnifying Party in connection therewith), and (b) the Indemnifying Party shall remain responsible to indemnify the Indemnified Party as provided in this Section 7.

7.4 Insurance. Each Party shall procure and maintain insurance, including, as applicable to Pieris and any of its Affiliates, product liability insurance, or shall self-insure, in each case in a manner adequate to cover its obligations under this Agreement and consistent with normal business practices of prudent companies similarly situated at all times during the Term and for a period of five (5) years thereafter. Each Party shall procure insurance or self-insure at its own expense. It is understood that such insurance shall not be construed to create a limit of either Party’s liability with respect to its indemnification obligations under this Section 7. Each Party shall provide the other Party with written evidence of such insurance or self-insurance upon request. Each Party shall provide the other Party with prompt written notice prior to the cancellation, non-renewal or material change in such insurance.

8. Confidentiality.

8.1 Treatment of Confidential Information. With respect to Confidential Information of Discloser, Recipient agrees to: (a) use such Confidential Information solely as contemplated by this Agreement (including by Pieris for the development and commercialization of one or more Products) and for no other purpose; (b) hold such Confidential Information in confidence and not to disclose such Confidential Information to others, except to its employees, consultants and representatives who require Confidential Information in order to carry out the Purpose and who are subject to binding obligations of confidentiality and restricted use at least as protective as those of this Agreement; (c) protect the confidentiality of such Confidential Information using at least the same level of efforts and measures used to protect its own valuable confidential information, and at least commercially reasonable

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efforts and measures; and (d) notify Discloser as promptly as practicable of any unauthorized use or disclosure of such Confidential Information of which Recipient becomes aware.

8.2 Exceptions to Confidential Treatment. The obligations of Section 8.1 shall not apply to any Confidential Information that: (a) Recipient knew before learning it under this Agreement, as demonstrated by written records predating the date it was learned under this Agreement; (b) is now, or becomes in the future, publicly available except by an act or omission of Recipient; (c) a Third Party discloses to Recipient without any restriction on disclosure or breach of confidentiality obligations to which such Third Party is subject; or (d) Recipient independently develops without use of or reference to Confidential Information, as demonstrated by Recipient's written records contemporaneous with such development.

8.3 Required Disclosures. Notwithstanding Section 8.1, Recipient may disclose Discloser's Confidential Information to the extent and to the persons or entities required under applicable governmental law, rule, regulation or order provided that Recipient (a) first gives prompt written notice of such disclosure requirement to Discloser so as to enable Discloser to seek any limitations on or exemptions from such disclosure requirement and (b) reasonably cooperates at Discloser's request in any such efforts by Discloser.

8.4 Ownership of Confidential Information. Subject to Section 8.6, Discloser retains all right, title and interest in and to its Confidential Information.

8.5 Publicity. Under the terms and conditions of the Original Agreement, the parties have filed Form 8-K statements and Enumeral has issued a press release. The Parties shall agree on the content of each Party's respective Form 8-K statements and an Enumeral Press Release in connection with this Agreement prior to the filing or disclosure of such statements and press release. No disclosure of the existence, or the terms, of this Agreement or the Original Agreement may be made by either Party, and no Party shall use the name, trademark, trade name or logo of the other Party or its employees in any publicity, promotion, news release or disclosure relating to this Agreement or the Original Agreement or their subject matter, without the prior express written permission of the other Party, except as otherwise set forth herein and/or to the extent as may be required by law or regulation (including, but not limited to, federal and state securities laws), for which prior written permission is not required. With respect to any filing of this Agreement with the U.S. Securities and Exchange Commission, each Party will provide the other Party with reasonable advance notice and a copy of the portion of such proposed filing to which the Agreement directly relates. Each Party may provide comments and/or requests regarding any proposed confidential treatment of the Agreement or the terms and conditions of the Agreement, as the case may be, and the other Party will consider any reasonable comments and requests made with respect to such filing, provided that such comments and requests are consistent with applicable law and regulation. The Parties will agree to propose redaction of the same information on any confidential treatment application for this Agreement and the Original Agreement. Notwithstanding this Section 8.5, each Party shall be permitted to issue, at a later date, public filings, presentations and press releases regarding this Agreement or the Original Agreement that contain information from the Parties' Form 8-K

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statements attached as Exhibit D to the Original Agreement, the Enumeral press release attached as Exhibit E to the Original Agreement, and the Form 8-K statements and Enumeral press release agreed to by the Parties in connection with this Agreement.

8.6 Ownership of Information and Data. All information generated by Pieris using Enumeral Confidential Information that is related to the Product shall be the sole property of Pieris and Pieris shall have the unlimited right to use and disclose such information. All information related to the Product, whether generated using Enumeral Confidential Information or otherwise, shall be the sole property of Pieris. Pieris shall have no obligation to disclose the information described in this Section 8.6 to Enumeral.

8.7 Third Party Disclosure. Notwithstanding anything in this Section 8, either Party may share the existence and terms of this Agreement, the Original Agreement, and Enumeral Confidential Information related to the First Antibody and, if applicable, Subsequent Antibody with Third Parties under an obligation of confidentiality at least as restrictive as those of this Agreement and the CDA (as defined below) without the prior consent of the other Party. This includes the right to provide such information to potential investors in order to facilitate investment financing in connection with the development of one or more Products by Pieris. In all events, each Party remains subject to its obligations set forth herein and in the CDA.

8.8 Prior Agreements. The parties have previously entered into a Mutual Confidential Disclosure Agreement, dated October 9, 2015 (the "CDA"), a Material Transfer and Non-Disclosure Agreement, dated January 27, 2016 (the "MTA"), and the Original Agreement. Confidential Information under this Agreement includes all non-public information disclosed in connection with the CDA, the MTA, or the Original Agreement. To the extent that there are any inconsistencies, this Agreement supersedes the CDA, and the MTA. Further, this Agreement replaces and supersedes the Original Agreement.

9. Term and Termination.

9.1 Term. The Term of this Agreement shall be from the Effective Date and, in the absence of early termination as provided for below, shall expire upon the expiration of the last to expire patent in the Enumeral IP.

9.2 Termination by Pieris. Pieris may terminate this Agreement at any time upon thirty (30) days' notice.

9.3 Termination by Enumeral. Enumeral may terminate this Agreement if Pieris breaches any of its material obligations under this Agreement and fails to cure such breach within sixty (60) days (or thirty (30) days with respect to a breach of payment obligations by Pieris) following its receipt of written notice thereof from Enumeral if such breach is curable within the aforesaid period; **provided, however**, that, without limiting the application of Section 12.3 to this Agreement, if there is a dispute between the Parties in connection with such termination under this Section 9.3 shall be subject to the dispute resolution procedures of Section 12.3.

9.4 Termination for Insolvency. A Party shall have the right to terminate this Agreement in its entirety upon immediate written notice if the other Party (i) applies for or consents to the

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appointment of, or the taking of possession by, a receiver, custodian, trustee or liquidator of itself or of all of a substantial part of its property, (ii) makes a general assignment for the benefit of its creditors, (iii) commences a voluntary case under the Bankruptcy Code (as defined below) of any country, (iv) fails to controvert in a timely and appropriate manner, or acquiesce in writing to, any petition filed against it in any involuntary case under the Bankruptcy Code of any country, (v) takes a corporate action for the purpose of effecting any of the foregoing, or (vi) has an order for relief against it entered in an involuntary case under the Bankruptcy Code of any country and, in any of (i) through (v) above, the application, assignment, commencement, filing, or corporate action continues unstayed for, and/or is not otherwise discharged or withdrawn on or before, a period of sixty (60) days.

9.5 Effect of Termination. In the event of a termination of this Agreement, Pieris may retain and shall not be required to provide Enumeral with information or materials related to any Products created or developed in connection with this Agreement, including the material described in Section 8.6.

9.6 Survival. The following Sections shall survive termination or expiration of this Agreement: 1, 4 (to the extent any payments are or will be earned as of or after termination), 5 (to the extent any payments are or will be earned as of or after termination), 6.1, 7, 8, 9, 10, 12.2, 12.3, 12.4, 12.5, 12.6, 12.7 and 12.9.

10. Representations and Warranties.

10.1 No Notice of Infringement. Enumeral warrants and represents that it has not received a cease and desist letter or otherwise been informed by a Third Party that it may be infringing intellectual property related to the First Antibody or Subsequent Antibody or that would otherwise adversely impair Pieris' ability to develop and commercialize Products under this Agreement.

10.2 No Conflicting Obligation. Enumeral warrants and represents that it has the ability to enter into this Agreement and that no agreement with any Third Party, including MIT, conflicts with this Agreement.

10.3 Mutual Representations and Warranties. Pieris and Enumeral each represents and warrants to the other, as of the Effective Date (except as otherwise noted), as follows:

- (a) Organization. It is a corporation or company duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, and has all requisite power and authority, corporate or otherwise, to execute, deliver and perform this Agreement.
- (b) Authorization. The execution and delivery of this Agreement and the performance by it of the transactions contemplated hereby have been duly authorized by all necessary corporate or company action and will not violate (a) such Party's certificate of incorporation or bylaws (or equivalent organizational documents), (b) any agreement, instrument or contractual obligation to which such Party is bound in any material respect, (c) any requirement of any applicable laws, or (d) any order, writ, judgment, injunction, decree, determination or award of any court or governmental agency presently in effect applicable to such Party.

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(c) Binding Agreement. This Agreement is a legal, valid and binding obligation of such Party, enforceable against it in accordance with its terms and conditions.

(d) No Inconsistent Obligation. It is not under any obligation, contractual or otherwise, to any Person that conflicts with or is inconsistent in any respect with the terms of this Agreement or that would impede the diligent and complete fulfillment of its obligations hereunder.

(e) Compliance with Law. During the Term, it will comply, and will ensure that its Affiliates comply, with all local, state, federal and international laws and regulations in all material respects in connection with its obligations hereunder, including, with respect to Pieris, those laws and regulations relating to the development, manufacture, use, sale and importation of Products.

11. Patent Prosecution and Enforcement

11.1 Prosecution. It is the intent of the Parties to pursue Patent Rights within the Enumeral IP collaboratively to provide patent protection for the Products. In each country where patent protection is sought, Enumeral shall make a good faith effort to obtain claims adequate to provide patent protection for the First Antibody and any Subsequent Antibody moiety of the Products. Enumeral shall provide copies of all patent applications, office actions and draft responses, proposed claims, and other substantive filings to Pieris with sufficient time for Pieris to review and provide comments to Enumeral related to the First Antibody and any Subsequent Antibody licensed hereunder in the Field but only as it relates to a Product. Enumeral shall give good faith consideration to Pieris' comments and proposed claim amendments or additions.

11.2 Prosecution Costs. Enumeral shall be responsible for all costs associated with the filing, prosecution and maintenance of the Patent Rights within the Enumeral IP.

11.3 Third Party Infringement.

(a) General.

(i) Notice. During the Term, each Party shall promptly report in writing to the other Party any known or suspected infringement of any Enumeral IP, or any unauthorized use or misappropriation of any Enumeral Know-How (each, an "Infringement"), of which such Party becomes aware, and shall provide the other Party with all available evidence supporting such knowledge or suspicion.

(ii) Right to Enforce. Enumeral shall have the right, but not the obligation, to address such known or suspected infringement or misappropriation of the Enumeral IP licensed hereunder by taking reasonable enforcement action, including warning letters, legal proceedings, and settlement, provided that Enumeral shall take no steps to address such known or suspected infringement or misappropriation of the Enumeral IP licensed hereunder to the extent that the infringement or misappropriation relates to a Product in any way, including in the

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event of a biosimilar or follow-on-biologic product or any drug or composition that includes an Anticalin, without the prior written consent of Pieris. Enumeral shall keep Pieris fully informed about such enforcement action, and Pieris shall provide all reasonable cooperation to Enumeral. Pieris agrees to join any action as a party to the extent necessary in any litigation. Enumeral shall not take any position with respect to, or compromise or settle, any such Infringement in a way that is reasonably likely to directly and adversely affect the scope, validity or enforceability of any Enumeral IP, without the prior written consent of Pieris, which consent shall not be unreasonably withheld. If Enumeral does not intend to undertake enforcement action in response to an Infringement of Enumeral IP, or ceases to diligently pursue an enforcement action with respect to an Infringement, it shall promptly inform Pieris. All costs, including attorneys' fees, relating to enforcement action under this Section 11.3(a)(ii) shall be borne solely by Enumeral.

(iii) Cooperation. Pieris shall have the right to participate in and to be represented by counsel of its choice, in an enforcement action that involves Enumeral IP and relates to a Product under Section 11.3(a)(ii). Enumeral agrees to keep Pieris informed concerning any such enforcement action, to consult with Pieris concerning litigation strategy, and to give good faith consideration to Pieris's comments and requests concerning such action. In all such enforcement actions, the Parties shall cooperate with and assist each other in all reasonable respects.

(b) Allocation of Proceeds. In any enforcement action that involves Enumeral IP and relates to a Product under Section 11.3(a)(ii), the proceeds (whether in the form of damages or payout from a settlement) first shall be allocated toward reimbursement of costs and expenses incurred by Enumeral pursuant to Section 11.3(a)(i), and then toward reimbursement of costs and expenses incurred by Pieris. Thereafter, Enumeral shall be entitled to [***] and Pieris shall be entitled to [***] of the remaining proceeds.

11.4 Defense of Third Party Claims. If the manufacture, use, offer for sale, sale or import of any Product becomes the subject of a third party claim or assertion of misappropriation of Know-How or infringement of third party Patent Rights, the Party first having notice of the claim or assertion shall notify the other Party promptly, and the Parties shall confer to consider an appropriate course of action. Pieris shall have the right to defend itself in any lawsuit that names it as a defendant, at Pieris' expense and with Pieris controlling selection of counsel. To the extent that Enumeral is named as a co-defendant, Enumeral shall have the right to participate with counsel of its choice, at Enumeral's expense. Neither Party shall enter into any settlement of any claim described in this Section 11.4 that affects the other Party's rights or interests, without such other Party's written consent, which consent shall not be unreasonably withheld or delayed. In any event, the Parties shall reasonably assist one another and cooperate in such litigation.

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12. Miscellaneous.

12.1 Bankruptcy. All licenses (and to the extent applicable rights) granted under or pursuant to this Agreement by Enumeral to Pieris are, and shall be deemed to be, for purposes of Section 365(n) of Title 11, United States Code (the “Bankruptcy Code”) licenses of rights to “intellectual property” as defined under Section 101 of the Bankruptcy Code. The Parties agree that Pieris, as a licensee of such rights under this Agreement, shall retain and may fully exercise all of its rights and elections under the Bankruptcy Code.

12.2 Limitation on Damages. Other than the representations and warranties set forth herein, Pieris and Enumeral disclaim all other warranties, whether express or implied, with respect to each of their obligations hereunder, including whether one or more Products can be successfully developed or marketed. In no event shall either Pieris or Enumeral be liable for special, indirect, incidental or consequential damages arising out of this Agreement based on contract, tort or any other legal theory.

12.3 Dispute Resolution. In the event of any controversy, claim or counterclaim arising out of or in relation to this Agreement, the Parties will first attempt to resolve such controversy or claim through good-faith negotiation between Pieris’ CEO and Enumeral’s CEO, for a period of not less than thirty (30) days following written notification of such controversy or claim to the other Party. If such controversy or claim cannot be resolved by means of such negotiations during such period, then it will be finally settled under the Rules of Arbitration of the International Chamber of Commerce by one or more arbitrators appointed in accordance with such rules. The place of arbitration will be New York, the language to be used in the arbitration proceedings will be English. Notwithstanding the foregoing, nothing shall prevent either Party from seeking injunctive or other similar equitable relief in in the venue permitted by Section 12.4.

12.4 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of New York, without reference to its conflict of laws principles. Subject to Section 12.3, the Parties consent to the exclusive jurisdiction of the state and federal courts of New York in the event that there is a dispute related to this Agreement.

12.5 Assignment. This Agreement may not be assigned or transferred by either Party without the prior written consent of the other Party. Notwithstanding the foregoing, either Party shall have the right to assign this Agreement to its Affiliates or to a Third Party in connection with: (i) an acquisition (of or by), a consolidation with, or merger into, any other corporation or other entity or person; (ii) any corporate reorganization wherein there is a change of control; or (iii) the sale of its assets to which this Agreement relates; provided, however, that in any such transaction the assignee expressly obligates itself in a written instrument delivered to the non-assigning Party to this Agreement, on or before the date of closing of such transaction, to fully perform all of the obligations of the assigning Party under this Agreement. This right of assignment shall likewise be available to the assignee in the same manner as it is to the assigning Party, and subsequent assignees in like manner, provided that in each instance of assignment, the assignee provides the writing specified above to the non-assigning Party to this Agreement prior to the date of closing of such transaction.

Portions of the exhibit, indicated by the mark “[],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

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12.6 Entire Understanding. This Agreement contains the entire understanding between the Parties hereto with respect to the within subject matter and supersedes any and all prior agreements, understandings and arrangements, whether written or oral.

12.7 Unenforceable Provisions and Severability. If any of the provisions of this Agreement are held to be void or unenforceable, then such void or unenforceable provisions shall be replaced by valid and enforceable provisions that will achieve as far as possible the economic business intentions of the Parties. However, the remainder of this Agreement will remain in full force and effect, provided that the material interests of the Parties are not affected, i.e. the Parties would presumably have concluded this Agreement without the unenforceable provisions.

12.8 Waiver and Amendment. This Agreement may be amended, modified, superseded or canceled, and any of the terms of this Agreement may be waived, only by a written instrument executed by each Party or, in the case of waiver, by the Party or Parties waiving compliance. The delay or failure of either Party at any time or times to require performance or to exercise any right arising out of any provisions shall in no manner affect the rights at a later time to enforce the same. Any waiver by a party of a particular provision or right shall be in writing, shall be as to a particular matter and, if applicable, for a particular period of time and shall be signed by such party. No single or partial exercise of any right, power or privilege will preclude any other or further exercise of such right, power or privilege or the exercise of any other right, power or privilege. No waiver by either Party of any condition or of the breach of any term contained in this Agreement, whether by conduct, or otherwise, in any one or more instances, shall be deemed to be, or considered as, a further or continuing waiver of any such condition or of the breach of such term or any other term of this Agreement. Except as expressly set forth in this Agreement, all rights and remedies available to a party, whether under this Agreement or afforded by applicable laws or otherwise, will be cumulative and not in the alternative to any other rights or remedies that may be available to such party.

12.9 Non-Use of Names. Pieris shall not use the name of "Massachusetts Institute of Technology," "Lincoln Laboratory", the "Whitehead Institute for Biomedical Research", "Harvard University", "Massachusetts General Hospital" or any variation, adaptation, or abbreviation thereof, or of any of its trustees, directors, officers, faculty, students, employees, or agents, or any trademark owned by MIT, the Whitehead Institute for Biomedical Research, Harvard University, and Massachusetts General Hospital, in any advertising, promotional or sales material or other public announcement or disclosure, including any document employed to obtain funds or financing related to this Agreement.

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CONFIDENTIAL TREATMENT REQUESTED

In Witness Whereof, the Parties hereto have executed this Agreement as of the Effective Date.

Pieris Pharmaceuticals Inc.

By: /s/ Stephen S. Yoder

Name: Stephen Yoder

Title: President and CEO

Date: June 6, 2016

Enumeral Biomedical Holdings Inc.

By: /s/ John J. Rydzewski

Name: John J. Rydzewski

Title: Executive Chairman

Date: June 6, 2016

Pieris Pharmaceuticals GmbH

By: /s/ Stephen S. Yoder

Name: Stephen Yoder

Title: President and CEO

Date: June 6, 2016

*Portions of the exhibit, indicated by the mark “[***],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

CONFIDENTIAL TREATMENT REQUESTED

Exhibit A

Patent Rights as of the Effective Date

The subject matter that pertains to the First Antibody and the Subsequent Antibodies (but not subject matter that would apply to a different antibody) in the following patent applications:

Patent Application No. Filing Date

[***]

*Portions of the exhibit, indicated by the mark “[***],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.*

Exhibit B

First Antibody Description

[***, 1 page]

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Exhibit C

Subsequent Antibody Descriptions

Enumeral antibodies against [***] and [***], including humanized or chimeric sequences and other Know-How generated through the Option Exercise Date, to be described with specificity, in the event that one or both Subsequent Antibody Options are exercised.

Portions of the exhibit, indicated by the mark “[],” were omitted and have been filed separately with the Securities and Exchange Commission pursuant to the Registrant’s application requesting confidential treatment pursuant to Rule 24b-2 of the Securities Exchange Act of 1934, as amended.***

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Stephen S. Yoder, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pieris Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. paragraph omitted in accordance with Exchange Act Rule 15d-14(a);
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2016

/s/ Stephen S. Yoder

Stephen S. Yoder

Title: Chief Executive Officer and President (principal executive officer)

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Darlene Deptula-Hicks, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Pieris Pharmaceuticals, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. paragraph omitted in accordance with Exchange Act Rule 15d-14(a);
 - c. evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 11, 2016

/s/ Darlene Deptula-Hicks

Darlene Deptula-Hicks

Title: Chief Financial Officer (principal accounting and financial officer)

CERTIFICATION OF CHIEF EXECUTIVE OFFICER UNDER SECTION 906

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Pieris Pharmaceuticals, Inc. (the “Company”) hereby certifies, to his knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2016 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2016

/s/ Stephen S. Yoder

Stephen S. Yoder

Title: Chief Executive Officer and President (principal executive officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER UNDER SECTION 906

Pursuant to 18 U.S.C. § 1350, as created by Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of Pieris Pharmaceuticals, Inc. (the “Company”) hereby certifies, to her knowledge, that:

(i) the accompanying Quarterly Report on Form 10-Q of the Company for the fiscal quarter ended June 30, 2016 (the “Report”) fully complies with the requirements of Section 13(a) or Section 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and

(ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 11, 2016

/s/ Darlene Deptula-Hicks

Darlene Deptula-Hicks

Title: Chief Financial Officer (principal accounting and financial officer)