CONATUS PHARMACEUTICALS INC.

FORM 8-K
(Current report filing)

Filed 09/01/17 for the Period Ending 08/31/17

Address	16745 WEST BERNARDO DRIVE Suite 200 San Diego, CA, 92127
Telephone	(858) 376-2600
CIK	0001383701
Symbol	CNAT
SIC Code	2834 - Pharmaceutical Preparations
Industry	Biotechnology & Medical Research
Sector	Healthcare
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): August 31, 2017

CONATUS PHARMACEUTICALS INC.
(Exact Name of Registrant as Specified in its Charter)

Delaware	001-36003	20-3183915
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

16745 West Bernardo Drive, Suite 200 San Diego, CA	92127
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (858) 376-2600

(Former Name or Former Address, if Changed Since Last Report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

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

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

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

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

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company ☒

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

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

Effective August 31, 2017, the board of directors of Conatus Pharmaceuticals Inc. (the "Company") appointed Keith W. Marshall, Ph.D., M.B.A., as the Company's Executive Vice President, Chief Operating Officer and Chief Financial Officer. Dr. Marshall will also serve as the Company's Principal Financial Officer, replacing Steven J. Mento, Ph.D., the Company's President and Chief Executive Officer, who has served as acting Principal Financial Officer since March 31, 2017. A copy of the press release announcing Dr. Marshall's appointment is attached hereto as Exhibit 99.1.

Dr. Marshall has been Chief Financial Officer and Head of Corporate Development since 2015 at Torque Therapeutics, where his responsibilities included finance, operations, human resources, corporate strategy and business development. He served as Managing Director and Advisor in Healthcare Investment Banking from 2012 to 2014 at GCA Savvian Advisors, where he provided strategic counsel to healthcare companies, and continued from 2014 to 2015 at TAG Healthcare Advisors under an alliance with GCA Savvian. Dr. Marshall was Managing Director from 2011 to 2012 at Sagent Advisors; Managing Director, Co-founder, and Chief Financial Officer from 2008 to 2011 at Montgomery, Marshall Healthcare Partners; Managing Director of Healthcare Investment Banking from 2003 to 2008 at Montgomery & Co.; and Associate in Healthcare Investment Banking from 2001 to 2003 at JPMorgan H&Q with additional responsibilities at JPMorgan Partners.

Dr. Marshall previously worked as a Research Associate from 1990 to 1993 at ImmuLogic Pharmaceutical Corporation, where he performed research under a collaboration with Merck around inhibition of MHC Class II molecules for autoimmune disease therapy. He holds an M.B.A. with concentrations in Finance, Strategy, and Entrepreneurship from the University of Chicago – Booth School of Business; a Ph.D. in Pharmaceutical Chemistry from the University of California, San Francisco; and an A.B. in Biology from Washington University in St. Louis.

In connection with the commencement of his employment, the Company entered into an employment agreement (the "Employment Agreement") with Dr. Marshall, dated August 31, 2017, pursuant to which he will receive an annual base salary of $405,000, which amount is subject to annual review by and at the sole discretion of the Company's board of directors or its designee. Dr. Marshall will also be eligible to earn an annual cash performance bonus equal to up to 40% of his then-current annual base salary. The annual cash performance bonus will be based on his and/or the Company's attainment of financial or other operating criteria established by the Company's board of directors or its designee, as determined by the Company's board of directors or its designee. Dr. Marshall's annual bonus for 2017 shall in no event be less than his "target" annual bonus for 2017, pro-rated for the portion of 2017 following his commencement of employment. Dr. Marshall is also entitled to reimbursement for reasonable relocation expenses and temporary housing in the San Diego, California area, plus a tax gross-up for any taxes Dr. Marshall is required to pay resulting from such relocation reimbursements, up to an aggregate of $75,000 in relocation reimbursements and related tax gross-ups.

Pursuant to the Employment Agreement, if the Company terminates Dr. Marshall's employment without cause (as defined in the Employment Agreement) or he resigns for good reason (as defined in the Employment Agreement), he will be entitled to the following payments and benefits: (1) his fully earned but unpaid base salary through the date of termination at the rate then in effect, plus all other amounts under any compensation plan or practice to which she is entitled; (2) a lump sum cash payment in an amount equal to his monthly base salary as in effect immediately prior to the date of termination for the twelve-month period following the date of termination; and (3) continuation of health benefits for a period of twelve months following the date of termination.

The Employment Agreement also provides that Dr. Marshall's stock awards will immediately vest and become exercisable: (1) in the event of a change of control, (A) as to 50% of the then-unvested and outstanding portion of such stock awards on the date of such change of control, and (B) as to the remaining 50% of the then-unvested stock awards on the first to occur of (i) the first anniversary of the change of control or (ii) the date of his termination of employment without cause or for good reason; and (2) in the event his employment is terminated by the Company other than for cause or by him for good reason, as to the number of stock awards that would have vested over the 12-month period following termination had he remained continuously employed by us during such period.

Pursuant to the terms of the Employment Agreement, in connection with his commencement of employment, on August 31, 2017, the Company's compensation committee of the board of directors approved the grant of options to purchase 525,000 shares of the Company's common stock to Dr. Marshall. The stock options have an exercise price per share equal to the closing price of the Company's common stock on the NASDAQ Stock Market on the grant date. The stock options will vest over a four-year period, with 25% of the options vesting on the first anniversary of the date of grant and the remainder of the options vesting monthly over the subsequent three years, subject to Dr. Marshall's continued service with the Company through the applicable vesting dates. In addition, the stock options granted to Dr. Marshall will be subject to accelerated vesting in connection with certain qualifying terminations of service or a change in control of the Company, as described in the Employment Agreement. The stock options have a term of ten years from the grant date. The grant was made as an inducement that was a material component of Dr. Marshall's compensation and acceptance of employment with the Company and was granted as an employment inducement award pursuant to NASDAQ Listing Rule 5635(c)(4). The stock options were granted to Dr. Marshall pursuant to a Non-Qualified Inducement Stock Option Grant Notice and Stock Option Agreement, dated August 31, 2017, between the Company and Dr. Marshall (the "Inducement Option Agreement").

The foregoing description of the Employment Agreement and the Inducement Option Agreement does not purport to be complete and is qualified in its entirety by reference to the full text of the Employment Agreement and the Inducement Option Agreement, which are filed herewith as Exhibits 10.1 and 10.2, respectively, and are incorporated herein by reference.

There are no family relationships between Dr. Marshall and any director or executive officer of the Company, and he has no direct or indirect material interest in any transaction required to be disclosed pursuant to Item 404(a) of Regulation S-K.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
10.1	Employment Agreement, dated August 31, 2017, between Conatus Pharmaceuticals Inc. and Keith W. Marshall, Ph.D., M.B.A.
10.2	Non-Qualified Inducement Stock Option Grant Notice and Stock Option Agreement, dated August 31, 2017, between Conatus Pharmaceuticals Inc. and Keith W. Marshall, Ph.D., M.B.A.
99.1	Press Release dated August 31, 2017 issued by Conatus Pharmaceuticals Inc. regarding appointment of Keith W. Marshall, Ph.D., M.B.A. as Executive Vice President, Chief Operating Officer and Chief Financial Officer.

SIGNATURES

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

Date: September 1, 2017

CONATUS PHARMACEUTICALS INC.

By: /s/ Steven J. Mento, Ph.D.
Name: Steven J. Mento, Ph.D.
Title: President and Chief Executive Officer

Exhibit 10.1

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this " Agreement ") is entered into by and between Conatus Pharmaceuticals Inc., a Delaware corporation (the " Company "), and Keith W. Marshall, Ph.D., M.B.A. (" Employee "), and shall be effective as of August 31, 2017[1] (the " Effective Date ").

WHEREAS, the Company desires to employ Employee, and Employee desires to accept employment with the Company, on the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises herein contained, the parties agree as follows:

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

(a) Board . " Board " means the Board of Directors of the Company.

(b) Cause . " Cause " means any of the following:

(i) the commission of an act of fraud, embezzlement or dishonesty by Employee that has a material adverse impact on the Company or any successor or affiliate thereof;

(ii) a conviction of, or plea of "guilty" or "no contest" to, a felony by Employee or any crime involving fraud, misappropriation, embezzlement or moral turpitude;

(iii) any unauthorized use or disclosure by Employee of confidential information or trade secrets of the Company or any successor or affiliate thereof that has a material adverse impact on any such entity;

(iv) Employee's gross negligence, insubordination or material violation of any duty of loyalty to the Company or any other material misconduct on the part of Employee;

(v) Employee's ongoing and repeated failure or refusal to perform or neglect of Employee's duties as required by this Agreement, which failure, refusal or neglect continues for fifteen (15) days following Employee's receipt of written notice from the Board or the Company's Chief Executive Officer (the " CEO ") stating with specificity the nature of such failure, refusal or neglect; or

(vi) Employee's breach of any material provision of this Agreement;

provided , however , that prior to the determination that "Cause" under this Section 1(b) has occurred, the Company shall (w) provide to Employee in writing, in reasonable detail, the reasons for the determination that such "Cause" exists, (x) other than with respect to clause (v) above which specifies the applicable period of time for Employee to remedy his or her breach, afford Employee a reasonable opportunity to remedy any such breach (if such breach is capable of being remedied), (y) provide Employee an opportunity to be heard prior to the final decision to terminate Employee's employment hereunder for such "Cause" and (z) make any decision that such "Cause" exists in good faith.

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[1] Effective Date will be date of commencement of employment.

The foregoing definition shall not in any way preclude or restrict the right of the Company or any successor or affiliate thereof to discharge or dismiss Employee for any other acts or omissions, but such other acts or omissions shall not be deemed, for purposes of this Agreement, to constitute grounds for termination for Cause.

(c) Change of Control . " Change of Control " means and includes each of the following:

(i) a transaction or series of transactions (other than an offering of common stock of the Company to the general public through a registration statement filed with the Securities and Exchange Commission) whereby any "person" or related "group" of "persons" (as such terms are used in Sections 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended (the " Exchange Act "), and the rules thereunder) (other than the Company, any of its subsidiaries, an employee benefit plan maintained by the Company or any of its subsidiaries or a "person" that, prior to such transaction, directly or indirectly controls, is controlled by, or is under common control with, the Company) directly or indirectly acquires beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of securities of the Company possessing more than fifty percent (50%) of the total combined voting power of the Company's securities outstanding immediately after such acquisition; or

(ii) during any period of two consecutive years, individuals who, at the beginning of such period, constitute the Board together with any new director(s) (other than a director designated by a person who shall have entered into an agreement with the Company to effect a transaction described in subsections (i) or (iii) of this Section 1(c)) whose election by the Board or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds of the directors then still in office who either were directors at the beginning of the two year period or whose election or nomination for election was previously so approved, cease for any reason to constitute a majority thereof; or

(iii) the consummation by the Company (whether directly involving the Company or indirectly involving the Company through one or more intermediaries) of a merger, consolidation, reorganization, or business combination, a sale or other disposition of all or substantially all of the Company's assets, or the acquisition of assets or stock of another entity, in each case, other than a transaction

(A) which results in the Company's voting securities outstanding immediately before the transaction continuing to represent (either by remaining outstanding or by being converted into voting securities of the Company or the person that, as a result of the transaction, controls, directly or indirectly, the Company or owns, directly or indirectly, all or substantially all of the Company's assets or otherwise succeeds to the business of the Company (the Company or such person, the " Successor Entity ")) directly or indirectly, at least fifty percent (50%) of the combined voting power of the Successor Entity's outstanding voting securities immediately after the transaction, and

(B) after which no person or group beneficially owns voting securities representing fifty percent (50%) or more of the combined voting power of the Successor Entity; provided , however , that no person or group shall be treated for purposes of this subsection (iii) as beneficially owning fifty percent (50%) or more of combined voting power of the Successor Entity solely as a result of the voting power held in the Company prior to the consummation of the transaction; or

(iv) the Company's stockholders approve a liquidation or dissolution of the Company.

For purposes of subsection (i) above, the calculation of voting power shall be made as if the date of the acquisition were a record date for a vote of the Company's stockholders, and for purposes of subsection (iii) above, the calculation of voting power shall be made as if the date of the consummation of the transaction were a record date for a vote of the Company's stockholders.

Notwithstanding the foregoing, a transaction shall not constitute a " Change of Control " if: (i) its sole purpose is to change the state of the Company's incorporation; (ii) its sole purpose is to create a holding company that will be owned in substantially the same proportions by the persons who held the Company's securities immediately before such transaction; (iii) it constitutes the Company's initial public offering of its securities; or (iv) it is a transaction effected primarily for the purpose of financing the Company with cash (as determined by the Board in its discretion and without regard to whether such transaction is effectuated by a merger, equity financing or otherwise).

(d) Code . " Code " means the Internal Revenue Code of 1986, as amended from time to time, and the Treasury Regulations and other guidance issued thereunder.

(e) Good Reason . Employee's resignation for " Good Reason " means Employee's resignation following the occurrence of any of the following events or conditions without Employee's written consent:

(i) a material diminution in Employee's authority, duties or responsibilities;

(ii) a material diminution in Employee's base compensation, except in connection with a general reduction in the base compensation of the Company's or any successor's or affiliate's personnel with similar status and responsibilities;

(iii) a material change in the geographic location at which Employee must perform his or her duties (and the Company and Employee agree that any requirement that Employee be based at any place outside a 50-mile radius of his or her place of employment as of the Effective Date, except for reasonably required travel on the Company's or any successor's or affiliate's business that is not materially greater than such travel requirements prior to the Effective Date, shall be considered a material change); or

(iv) any other action or inaction that constitutes a material breach by the Company or any successor or affiliate of its obligations to Employee under this Agreement.

Notwithstanding the foregoing, Good Reason shall only exist if Employee shall have provided the Company with written notice within ninety (90) days of the initial occurrence of any of the foregoing events or conditions, and the Company or any successor or affiliate fails to eliminate the conditions constituting Good Reason within thirty (30) days after receipt of written notice of such event or condition from Employee. Employee's termination by reason of resignation from employment with the Company for Good Reason shall be treated as involuntary. Employee's resignation from employment with the Company for "Good Reason" must occur within twelve (12) months following the initial occurrence of one of the foregoing events or conditions.

(f) Permanent Disability. Employee's "Permanent Disability" shall be deemed to have occurred if Employee shall become physically or mentally incapacitated or disabled or otherwise unable fully to discharge his or her duties hereunder for a period of ninety (90) consecutive calendar days or for one hundred twenty (120) calendar days in any one hundred eighty (180) calendar-day period. The existence of Employee's Permanent Disability shall be determined by the Company on the advice of a physician chosen by the Company and the Company reserves the right to have the Employee examined by a physician chosen by the Company at the Company's expense.

(g) Stock Awards . "Stock Awards" means all stock options, restricted stock and such other awards granted pursuant to the Company's stock option and equity incentive award plans or agreements and any shares of stock issued upon exercise thereof.

2. Employment Period . During the term of Employee's employment hereunder (the " Employment Period "), Employee shall be considered an employee of the Company. The Company and Employee acknowledge that Employee's employment during the Employment Period will be at-will, as defined under applicable law, and that Employee's employment with the Company during the Employment Period may be terminated by either party at any time for any or no reason, with or without notice. If Employee's employment during the Employment Period terminates for any reason, Employee shall not be entitled to any payments, benefits, damages, awards or compensation other than as provided in this Agreement.

3. Services to Be Rendered .

(a) Duties and Responsibilities . Employee shall serve as Executive Vice President, Chief Operating Officer and Chief Financial Officer of the Company. In the performance of such duties, Employee shall report directly to the CEO and shall be subject to the direction of the CEO and to such limits upon Employee's authority as the CEO may from time to time impose. In the event of the CEO's incapacity or unavailability, Employee shall be subject to the direction of the Board or its designee. Employee hereby consents to serve as an officer and/or director of the Company or any subsidiary or affiliate thereof without any additional salary or compensation, if so requested by the Board or the CEO. Employee's primary place of work shall be the Company's facility in San Diego, California, or such other location within San Diego County as may be designated by the Board or the CEO from time to time. Employee shall also render services at such other places within or outside the United States as the Board or the CEO may direct from time to time. Employee shall be subject to and comply with the policies and procedures generally applicable to employees of the Company to the extent the same are not inconsistent with any term of this Agreement.

(b) Exclusive Services . Employee shall be employed by the Company on a full-time basis. Employee shall at all times faithfully, industriously and to the best of his or her ability, experience and talent perform to the satisfaction of the Board and the CEO all of the duties that may be assigned to Employee hereunder and shall devote substantially all of his or her productive time and efforts to the performance of such duties.

4. Compensation and Benefits During Employment Period . During the Employment Period, the Company shall pay or provide, as the case may be, to Employee the compensation and other benefits and rights set forth in this Section 4.

(a) Base Salary . The Company shall pay to Employee a base salary of $405,000 per year, payable in accordance with the Company's usual pay practices (and in any event no less frequently than bi-monthly). Employee's base salary shall be subject to review annually by and at the sole discretion of the Board or its designee.

(b) Annual Bonus . Employee shall be eligible to earn, for each fiscal year of the Company ending during the Employment Period, an annual cash performance bonus (an " Annual Bonus ") based on Employee's and/or the Company's attainment of objective financial or other operating criteria established by the Board or its designee . Upon full attainment of the aforementioned criteria, as determined by the Board or its designee, the Annual Bonus will be equal to forty percent (40%) of Employee's then-current base salary actually paid for such fiscal year. The Annual Bonus shall be paid to Employee by the Company between January 1 st and March 15 th of the calendar year following the end of the fiscal year to which such Annual Bonus relates. Subject to Section 5(a)(ii) below, Employee's receipt of an Annual Bonus shall be conditioned on Employee's continued employment with the Company on the date such Annual Bonus is paid. The Annual Bonus shall be pro-rated for any partial fiscal year during the Employment Period. Notwithstanding the foregoing, Employee's Annual Bonus for 2017 shall in no event be less than his "target" Annual Bonus for such year, pro-rated for the portion of 2017 following the Effective Date. As of the Effective Date, the Company's fiscal year ends on December 31. In the event of any change to the Company's fiscal year, the aforementioned financial or other operating criteria established by the Board or its designee for purposes of determining Employee's Annual Bonus shall be adjusted in a manner mutually agreeable to the Company and Employee so as not to disadvantage either party.

(c) Benefits . Employee shall be entitled to participate in benefits under the Company's benefit plans and arrangements, including, without limitation, any employee benefit plan or arrangement made available in the future by the Company to its senior executives, subject to and on a basis consistent with the terms, conditions and overall administration of such plans and arrangements. The Company shall have the right to amend or delete any such benefit plan or arrangement made available by the Company to its senior executives and not otherwise specifically provided for herein. The Company's failure to continue provide Employee with benefits substantially equivalent (in terms of benefit levels and/or reward opportunities) to those provided to Employee under each material employee benefit plan, program and practice of the Company as in effect immediately prior to the Effective Date, except in connection with a general reduction in the benefits of the Company's or any successor's or affiliate's personnel with similar status and responsibilities, shall constitute a material breach of this Agreement by the Company.

(d) Expenses . The Company shall reimburse Employee for reasonable out-of-pocket business expenses incurred in connection with the performance of his or her duties hereunder, subject to (i) such policies as the Company may from time to time establish, (ii) Employee furnishing the Company with evidence in the form of receipts satisfactory to the Company substantiating the claimed expenditures, (iii) Employee receiving advance approval from the CEO in the case of expenses for travel outside of North America, and (iv) Employee receiving advance approval from the CEO in the case of expenses (or a series of related expenses) in excess of $10,000. Any amounts payable under this Section 4(d) shall be made in accordance with Treasury Regulation Section 1.409A-3(i)(1)(iv) and shall be paid on or before the last day of Employee's taxable year following the taxable year in which Employee incurred the expenses. The amounts provided under this Section 4(d) during any taxable year of Employee's will not affect such amounts provided in any other taxable year of Employee's, and Employee's right to reimbursement for such amounts shall not be subject to liquidation or exchange for any other benefit.

(e) Paid Time Off; Vacation . Employee shall be entitled to such periods of paid time off (" PTO ") each year as provided under the Company's PTO policy and as otherwise provided for senior executive officers; provided that Employee shall be entitled to at least three (3) weeks PTO per year.

(f) Stock Awards .

(i) As soon as practicable following the Effective Date and subject to approval by the Compensation Committee of the Board, as a material inducement to your acceptance of employment with the Company, Employee will be granted a stock option to purchase 525,000 shares of the Company's common stock, with an exercise price per share equal to the per share fair market value of the Company's common stock on the date of grant (the " Initial Option "). The Initial Option will be granted pursuant to one of the Company's equity incentive plans (the plan under which your Initial Option is granted is referred to herein as the " Plan "). The Initial Option will vest with respect to twenty-five percent (25%) of the total number of shares of the Company's common stock subject to the Initial Option on the first anniversary of the Effective Date, and with respect to one-forty-eighth (1/48) of the total number of shares of the Company's common stock subject to the Initial Option on the last day of each one-month period of Employee's service to the Company thereafter, subject to accelerated vesting as provided in Section 4(g) below. The Initial Option will be subject to the terms and conditions of the Plan and any form of stock option agreement issued thereunder.

(ii) Employee shall be entitled to participate in any equity or other employee benefit plan that is generally available to senior executive officers, as distinguished from general management, of the Company. Except as otherwise provided in this Agreement, Employee's participation in and benefits under any such plan shall be on the terms and subject to the conditions specified in the governing document of the particular plan.

(g) Acceleration of Vesting of Stock Awards .

(i) The vesting and/or exercisability of fifty percent (50%) of the then-unvested and outstanding portion of each of Employee's Stock Awards shall be automatically accelerated on the date of a Change of Control, and the remaining fifty percent (50%) of the then-unvested and outstanding portion of each of Employee's Stock Awards shall vest and/or become exercisable on the first to occur of (A) the first anniversary of the Change of Control or (B) the date of Employee's termination of employment by the Company without Cause or by Employee for Good Reason.

(ii) Subject to Section 5(c), if Employee's employment is terminated by the Company without Cause or by Employee for Good Reason, the vesting and/or exercisability of each of Employee's outstanding Stock Awards shall be automatically accelerated on the date of termination as to the number of Stock Awards that would vest over the twelve (12) month period following the date of termination had Employee remained continuously employed by the Company during such period.

(iii) The foregoing provisions are hereby deemed to be a part of each Stock Award and to supersede any less favorable provision in any agreement or plan regarding such Stock Award.

(h) Relocation.

(i) The Company expects Employee to relocate his principal place of residence from Boston, Massachusetts to the San Diego, California metropolitan area on or before October 1, 2017. In furtherance of Employee's relocation, the Company shall pay for or reimburse Employee in accordance with the Company's written expense reimbursement policies and procedures for Employee's reasonable relocation expenses, including the movement of Employee's reasonable household goods and automobiles (but excluding extraordinary or unusual moving costs such as boat, recreational vehicle, playground equipment), house hunting trips to San Diego for Employee, his spouse and his dependent children, reimbursement for transportation for Employee, his spouse and his dependent children from Boston, Massachusetts to San Diego, California, and temporary housing in the San Diego, California area until May 31, 2018 (or, if earlier, Employee's relocation) (collectively, the " Relocation Reimbursement "). In no event will the Relocation Reimbursement include realtor costs incurred by Employee in connection with the purchase of Employee's residence in San Diego California or the sale of Employee's residence in Boston, Massachusetts.

In addition, the Company shall pay to Employee a tax gross-up (the " Tax Gross-Up ") for any federal and state income and employment taxes Employee is required to pay resulting from the Relocation Reimbursement and from the Tax Gross-Up, which Tax Gross-Up shall be paid in accordance with Treasury Regulation Section 1.409A-3(i)(1)(v). The Relocation Reimbursement and any Tax Gross-Up shall be subject to an aggregate cap of $75,000. All amounts eligible for the Relocation Reimbursement must be incurred by and paid to Employee during the term of his employment with the Company. The Relocation Reimbursement and the Tax Gross-Up shall be paid to Employee within thirty (30) days following the Company's receipt of a written request for such reimbursement, but subject to receipt by the Company of supporting receipts and/or documentation and/or receipts in form and substance reasonably acceptable to the Company. If Employee voluntarily terminates his employment without Good Reason or his employment is terminated for Cause prior to the first anniversary of the Effective Date, Employee shall repay to the Company a pro rata portion of the Relocation Reimbursement and any Tax Gross-Up based on the number of days elapsed in the one-year period ending on the first anniversary of the Effective Date. The Company will have the right to offset such amounts against any compensation otherwise payable to Employee on the date of Employee's termination of employment.

5. Termination of Employment Period and Severance . Employee shall be entitled to receive benefits upon termination of the Employment Period only as set forth in this Section 5.

(a) Termination Without Cause or For Good Reason . If Employee's employment is terminated by the Company without Cause or by Employee for Good Reason, Employee shall be entitled to receive, in lieu of any severance benefits to which Employee may otherwise be entitled under any severance plan or program of the Company, the benefits provided below:

(i) the Company shall pay to Employee his or her fully earned but unpaid base salary, when due, through the date of termination at the rate then in effect, accrued but unused PTO, plus all other amounts or benefits to which Employee is entitled under any compensation, retirement or benefit plan or practice of the Company at the time of termination in accordance with the terms of such plans or practices;

(ii) subject to Sections 5(c), 5(g) and 5(h) and Employee's continuing compliance with Section 6, Employee shall be entitled to receive (i) Employee's monthly base salary as in effect immediately prior to the date of termination for the twelve (12) month period following the date of termination, payable in a lump sum no later than sixty (60) days following the date of Employee's termination of employment, and (ii) in the event Employee's employment is terminated by the Company without Cause or by Employee for Good Reason on or after January 1 and prior to the date Employee is paid his Annual Bonus for the fiscal year preceding such termination, an amount equal to Employee's Annual Bonus for the fiscal year preceding such termination (determined pursuant to Section 4(b)), payable in a lump sum no later than sixty (60) days following the date of Employee's termination of employment; and

(iii) subject to Sections 5(c), 5(g) and 5(h) and Employee's continuing compliance with Section 6, for the period beginning on the date of termination and ending on the date which is twelve (12) full months following the date of termination (or, if earlier, the date on which the applicable continuation period under the Consolidated Omnibus Budget Reconciliation Act of 1985, as amended (" COBRA ") expires) (the " COBRA Coverage Period "), the Company shall pay for and provide to Employee and his or her eligible dependents who were covered under the Company's health insurance plans immediately prior to the date of termination with healthcare insurance benefits substantially similar to those provided to Employee and his or her eligible dependents immediately prior to the date of termination. If any of the Company's health benefits are self-funded as of the date of termination, or if the Company cannot provide the foregoing benefits in a manner that is exempt from or otherwise compliant with applicable law (including, without limitation, Section 409A of the Code and Section 2716 of the Public Health Service Act), instead of providing continued health insurance benefits as set forth above, the Company shall instead pay to Employee an amount equal to the monthly plan premium payment for Employee and his or her eligible dependents who were covered under the Company's health plans as of the date of termination (calculated by reference to Employee's premiums as of the date of termination) as currently taxable compensation in substantially equal monthly installments over the COBRA Coverage Period (or the remaining portion thereof).

(b) Termination for Cause, Voluntary Resignation Without Good Reason, Death or Permanent Disability . If Employee's employment is terminated by the Company for Cause, by Employee without Good Reason or as a result of Employee's death or Permanent Disability, the Company shall not have any other or further obligations to Employee (or his or her estate) under this Agreement (including any financial obligations) except that Employee (or his or her estate) shall be entitled to receive (i) Employee's fully earned but unpaid base salary, through the date of termination at the rate then in effect, (ii) all accrued but unused PTO, and (iii) all other amounts or benefits to which Employee is entitled under any compensation, retirement or benefit plan or practice of the Company at the time of termination in accordance with the terms of such plans or practices, including, without limitation, any continuation of benefits required by COBRA or applicable law. In addition, if Employee's employment is terminated by the Company for Cause, by Employee without Good Reason or as a result of Employee's death or Permanent Disability, all vesting of Employee's unvested Stock Awards previously granted to him or her by the Company shall cease and none of such unvested Stock Awards shall be exercisable following the date of such termination. The foregoing shall be in addition to, and not in lieu of, any and all other rights and remedies which may be available to the Company under the circumstances, whether at law or in equity.

(c) Release . As a condition to Employee's receipt of any post-termination benefits pursuant to Sections 4(g)(i), 4(g)(ii) or 5(a) above, on or prior to the sixtieth (60 th) day following the date of Employee's termination of employment, Employee shall have executed and delivered a Release (the " Release ") in a form reasonably acceptable to the Company and any applicable revocation period applicable to such Release shall have expired. Such Release shall specifically relate to all of Employee's rights and claims in existence at the time of such execution, including any claims related to Employee's employment by the Company and his or her termination of employment, and shall exclude any continuing obligations the Company may have to Employee following the date of termination under this Agreement or any other agreement providing for obligations to survive Employee's termination of employment. In the event the Release does not become effective within the sixty (60) day period following the date of Employee's termination of employment, Employee shall not be entitled to any of the aforesaid post-termination benefits.

(d) Exclusive Remedy . Except as otherwise expressly required by law (e.g., COBRA) or as specifically provided herein, all of Employee's rights to salary, severance, benefits, bonuses and other amounts hereunder (if any) accruing after the termination of Employee's employment shall cease upon such termination. In the event of a termination of Employee's employment with the Company, Employee's sole remedy shall be to receive the payments and benefits described in this Section 5. In addition, Employee acknowledges and agrees that he or she is not entitled to any reimbursement by the Company for any taxes payable by Employee as a result of the payments and benefits received by Employee pursuant to this Section 5, including, without limitation, any excise tax imposed by Section 4999 of the Code. Any payments made to Employee under this Section 5 shall be inclusive of any amounts or benefits to which Employee may be entitled pursuant to the Worker Adjustment and Retraining Notification Act, 29 U.S.C. Sections 2101 et seq., and the Department of Labor regulations thereunder, or any similar state statute.

(e) No Mitigation . Employee shall not be required to mitigate the amount of any payment provided for in this Section 5 by seeking other employment or otherwise, nor shall the amount of any payment or benefit provided for in this Section 5 be reduced by any compensation earned by Employee as the result of employment by another employer or self-employment or by retirement benefits; provided , however , that loans, advances or other amounts owed by Employee to the Company may be offset by the Company against amounts payable to Employee under this Section 5; provided , further , that, as provided in Section 5(a), Employee's right to continued healthcare and life insurance benefits following his or her termination of employment will terminate on the date on which the applicable continuation period under COBRA expires.

(f) Return of the Company's Property . If Employee's employment is terminated for any reason, the Company shall have the right, at its option, to require Employee to vacate his or her offices prior to or on the effective date of termination and to cease all activities on the Company's behalf. Upon the termination of his or her employment in any manner, as a condition to the Employee's receipt of any post-termination benefits described in this Agreement, Employee shall immediately surrender to the Company all lists, books and records of, or in connection with, the Company's business, and all other property belonging to the Company, it being distinctly understood that all such lists, books and records, and other documents, are the property of the Company. Employee shall deliver to the Company a signed statement certifying compliance with this Section 5(f) prior to the receipt of any post-termination benefits described in this Agreement.

(g) Short-Term Deferral. This Agreement is not intended to provide for any deferral of compensation subject to Section 409A of the Code, and, accordingly, the severance payment payable under Section 5(a)(ii) shall be paid no later than the later of: (i) the fifteenth (15 th) day of the third month following Employee's first taxable year in which such severance benefit is no longer subject to a substantial risk of forfeiture, and (ii) the fifteenth (15 th) day of the third month following the first taxable year of the Company in which such severance benefit is no longer subject to a substantial risk of forfeiture, as determined in accordance with Section 409A of the Code and any Treasury Regulations and other guidance issued thereunder. To the extent applicable, this Agreement shall be interpreted in accordance with the applicable exemptions from Section 409A of the Code.

(h) Payment Delay . Notwithstanding anything herein to the contrary, to the extent any payments to Employee pursuant to Section 5(a)(ii) are treated as non-qualified deferred compensation subject to Section 409A of the Code, then (i) no amount shall be payable pursuant to such section unless Employee's termination of employment constitutes a "separation from service" with the Company (as such term is defined in Treasury Regulation Section 1.409A-1(h) and any successor provision thereto) (a "Separation from Service"), and (ii) if Employee, at the time of his or her Separation from Service, is determined by the Company to be a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code and the Company determines that delayed commencement of any portion of the termination benefits payable to Employee pursuant to this Agreement is required in order to avoid a prohibited distribution under Section 409A(a)(2)(B)(i) of the Code (any such delayed commencement, a "Payment Delay"), then such portion of Employee's termination benefits described in Section 5(a)(ii) shall not be provided to Employee prior to the earlier of (A) the expiration of the six-month period measured from the date of Employee's Separation from Service, (B) the date of Employee's death or (C) such earlier date as is permitted under Section 409A. Upon the expiration of the applicable Code Section 409A(a)(2)(B)(i) deferral period, all payments deferred pursuant to a Payment Delay shall be paid in a lump sum to Employee within thirty (30) days following such expiration, and any remaining payments due under the Agreement shall be paid as otherwise provided herein. The determination of whether Employee is a "specified employee" for purposes of Section 409A(a)(2)(B)(i) of the Code as of the time of his or her Separation from Service shall made by the Company in accordance with the terms of Section 409A of the Code and applicable guidance thereunder (including without limitation Treasury Regulation Section 1.409A-1(i) and any successor provision thereto).

(i) Interpretation. To the extent the payments and benefits under this Agreement are subject to Section 409A of the Code, this Agreement shall be interpreted, construed and administered in a manner that satisfies the requirements of Sections 409A(a)(2), (3) and (4) of the Code and the Treasury Regulations thereunder (and any applicable transition relief under Section 409A of the Code). To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner that no payments payable under this Agreement shall be subject to an "additional tax" as defined in Section 409A(a)(1)(B) of the Code. Each series of installment payments made under this Agreement is hereby designated as a series of "separate payments" within the meaning of Section 409A of the Code.

6. Certain Covenants .

(a) Noncompetition . Except as may otherwise be approved by the Board, during the Employment Period, Employee shall not have any ownership interest (of record or beneficial) in, or perform services as an employee, salesman, consultant, officer or director of, or otherwise aid or assist in any manner, any firm, corporation, partnership, proprietorship or other business that engages in any county, city or part thereof in the United States and/or any foreign country in a business which competes directly or indirectly (as determined by the Board) with the Company's business in such county, city or part thereof, so long as the Company, or any successor in interest of the Company to the business and goodwill of the Company, remains engaged in such business in such county, city or part thereof or continues to solicit customers or potential customers therein; provided , however , that Employee may own, directly or indirectly, solely as an investment, securities of any entity if Employee (x) is not a controlling person of, or a member of a group which controls, such entity; or (y) does not, directly or indirectly, own ten percent (10%) or more of any class of securities of any such entity. Subject to the terms of the Proprietary Information and Inventions Agreement referred to in Section 6(b), nothing in this Agreement shall preclude Employee from devoting time to personal and family investments or serving on community and civic boards, or participating in industry associations, provided such activities do not interfere with his or her duties to the Company, as determined in good faith by the Board or the CEO. Employee agrees that he or she will not join any boards, other than community and civic boards (which do not interfere with his or her duties to the Company), without the prior approval of the Board or the CEO.

(b) Confidential Information . Employee and the Company have entered into the Company's standard proprietary information and inventions agreement (the " Proprietary Information and Inventions Agreement "). Employee agrees to perform each and every obligation of Employee therein contained.

(c) Solicitation of Employees . Employee shall not during the Employment Period and for the applicable severance period for which Employee receives severance benefits following any termination hereof pursuant to Section 5(a) above (the " Restricted Period "), directly or indirectly, solicit or encourage to leave the employment of the Company or any of its affiliates, any employee of the Company or any of its affiliates.

(d) Solicitation of Consultants . Employee shall not during the Employment Period and for the Restricted Period, directly or indirectly, hire, solicit or encourage to cease work with the Company or any of its affiliates any consultant then under contract with the Company or any of its affiliates within one year of the termination of such consultant's engagement by the Company or any of its affiliates.

(e) Rights and Remedies Upon Breach . If Employee breaches or threatens to commit a breach of any of the provisions of this Section 6 (the " Restrictive Covenants "), the Company shall have the following rights and remedies, each of which rights and remedies shall be independent of the other and severally enforceable, and all of which rights and remedies shall be in addition to, and not in lieu of, any other rights and remedies available to the Company under law or in equity:

(i) Specific Performance . The right and remedy to have the Restrictive Covenants specifically enforced by any court having equity jurisdiction, all without the need to post a bond or any other security or to prove any amount of actual damage or that money damages would not provide an adequate remedy, it being acknowledged and agreed that any such breach or threatened breach will cause irreparable injury to the Company and that money damages will not provide adequate remedy to the Company;

(ii) Accounting and Indemnification . The right and remedy to require Employee (i) to account for and pay over to the Company all compensation, profits, monies, accruals, increments or other benefits derived or received by Employee or any associated party deriving such benefits as a result of any such breach of the Restrictive Covenants; and (ii) to indemnify the Company against any other losses, damages (including special and consequential damages), costs and expenses, including actual attorneys' fees and court costs, which may be incurred by them and which result from or arise out of any such breach or threatened breach of the Restrictive Covenants; and

(iii) Termination of Severance Payments . In the event Employee breaches any of the provisions of this Section 6, the Company shall be entitled to immediately cease all payments under Section 5(a) above.

(f) Severability of Covenants/Blue Pencilling . If any court determines that any of the Restrictive Covenants, or any part thereof, is invalid or unenforceable, the remainder of the Restrictive Covenants shall not thereby be affected and shall be given full effect, without regard to the invalid portions. If any court determines that any of the Restrictive Covenants, or any part thereof, are unenforceable because of the duration of such provision or the area covered thereby, such court shall have the power to reduce the duration or area of such provision and, in its reduced form, such provision shall then be enforceable and shall be enforced. Employee hereby waives any and all right to attack the validity of the Restrictive Covenants on the grounds of the breadth of their geographic scope or the length of their term.

(g) Enforceability in Jurisdictions . The Company and Employee intend to and do hereby confer jurisdiction to enforce the Restrictive Covenants upon the courts of any jurisdiction within the geographical scope of such covenants. If the courts of any one or more of such jurisdictions hold the Restrictive Covenants wholly unenforceable by reason of the breadth of such scope or otherwise, it is the intention of the Company and Employee that such determination not bar or in any way affect the right of the Company to the relief provided above in the courts of any other jurisdiction within the geographical scope of such covenants, as to breaches of such covenants in such other respective jurisdictions, such covenants as they relate to each jurisdiction being, for this purpose, severable into diverse and independent covenants.

(h) Whistleblower Provision . Nothing herein shall be construed to prohibit Employee from communicating directly with, cooperating with, or providing information to, any government regulator, including, but not limited to, the U.S. Securities and Exchange Commission, the U.S. Commodity Futures Trading Commission, or the U.S. Department of Justice. Employee acknowledges that the Company has provided Employee with the following notice of immunity rights in compliance with the requirements of the Defend Trade Secrets Act: (i) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of Proprietary Information that is made in confidence to a Federal, State, or local government official or to an attorney solely for the purpose of reporting or investigating a suspected violation of law, (ii) Employee shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of Proprietary Information that is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal and (iii) if Employee files a lawsuit for retaliation by the Company for reporting a suspected violation of law, Employee may disclose the Proprietary Information to my attorney and use the Proprietary Information in the court proceeding, if Employee files any document containing the Proprietary Information under seal, and does not disclose the Proprietary Information, except pursuant to court order.

(i) Definitions . For purposes of this Section 6, the term " Company " means not only Conatus Pharmaceuticals Inc., but also any company, partnership or entity which, directly or indirectly, controls, is controlled by or is under common control with Conatus Pharmaceuticals Inc.

7. Insurance; Indemnification . The Company shall have the right to take out life, health, accident, "key-man" or other insurance covering Employee, in the name of the Company and at the Company's expense in any amount deemed appropriate by the Company. Employee shall assist the Company in obtaining such insurance, including, without limitation, submitting to any required examinations and providing information and data required by insurance companies. Employee will be provided with indemnification against third party claims related to his or her work for the Company as required by Delaware law. The Company shall provide Employee with directors and officers liability insurance coverage at least as favorable as that which the Company may maintain from time to time for other executive officers.

8. Arbitration . Any dispute, claim or controversy based on, arising out of or relating to this Agreement, or the breach thereof, including questions regarding the arbitrability of a particular dispute, shall be settled by final and binding arbitration in San Diego, California, before a single neutral arbitrator in accordance with the National Rules for the Resolution of Employment Disputes (the " Rules ") of the American Arbitration Association, and judgment on the award rendered by the arbitrator may be entered in any court having jurisdiction. The Rules may be found online at www.adr.org. Arbitration may be compelled pursuant to the California Arbitration Act (Code of Civil Procedure §§ 1280 et seq .). If the parties are unable to agree upon an arbitrator, one shall be appointed by the AAA in accordance with its Rules. Each party shall pay the fees of its own attorneys, the expenses of its witnesses and all other expenses connected with presenting its case; however , Employee and the Company agree that, to the extent permitted by law, the arbitrator may, in his or her discretion, award reasonable attorneys' fees to the prevailing party; **provided , further , that the prevailing party shall be reimbursed for such fees, costs and expenses within forty-five (45) days following any such award; provided , further , that the parties' obligations pursuant to the provisos set forth above shall terminate on the tenth (10th) anniversary of the date of Employee's termination of employment** . Other costs of the arbitration, including the cost of any record or transcripts of the arbitration, AAA's administrative fees, the fee of the arbitrator, and all other fees and costs, shall be borne by the Company. This Section 8 is intended to be the exclusive method for resolving any and all claims by the parties against each other for payment of damages under this Agreement, or relating to Employee's employment; provided , however , that Employee shall retain the right to file administrative charges with or seek relief through any government agency of competent jurisdiction, and to participate in any government investigation, including but not limited to (i) claims for workers' compensation, state disability insurance or unemployment insurance; (ii) claims for unpaid wages or waiting time penalties brought before the California Division of Labor Standards Enforcement; provided , however , that any appeal from an award or from denial of an award of wages and/or waiting time penalties shall be arbitrated pursuant to the terms of this Agreement; and (iii) claims for administrative relief from the United States Equal Employment Opportunity Commission and/or the California Department of Fair Employment and Housing (or any similar agency in any applicable jurisdiction other than California); provided , further , that Employee shall not be entitled to obtain any monetary relief through such agencies other than workers' compensation benefits or unemployment insurance benefits. This Agreement shall not limit either party's right to obtain any provisional remedy, including, without limitation, injunctive or similar relief, from any court of competent jurisdiction as may be necessary to protect their rights and interests pending the outcome of arbitration, including without limitation injunctive relief, in any court of competent jurisdiction pursuant to California Code of Civil Procedure § 1281.8 or any similar statute of an applicable jurisdiction. Seeking any such relief shall not be deemed to be a waiver of such party's right to compel arbitration. Both Employee and the Company expressly waive their right to a jury trial to the extent permitted by applicable law.

9. Miscellaneous .

(a) Modification; Prior Claims . This Agreement and the Employee Proprietary Information and Inventions Agreement sets forth the entire understanding of the parties with respect to the subject matter hereof, supersedes all existing agreements between them concerning such subject matter, including without limitation, any offer letter between Employee and the Company, and may be modified only by a written instrument duly executed by each party. No oral waiver, amendment or modification will be effective under any circumstances whatsoever.

(b) Assignment; Assumption by Successor . The rights of the Company under this Agreement may, without the consent of Employee, be assigned by the Company, in its sole and unfettered discretion, to any person, firm, corporation or other business entity which at any time, whether by purchase, merger or otherwise, directly or indirectly, acquires all or substantially all of the assets or business of the Company. The Company will require any successor (whether direct or indirect, by purchase, merger or otherwise) to all or substantially all of the business or assets of the Company expressly to assume and to agree to perform this Agreement in the same manner and to the same extent that the Company would be required to perform it if no such succession had taken place; provided , however , that no such assumption shall relieve the Company of its obligations hereunder. As used in this Agreement, the " Company " shall mean the Company as hereinbefore defined and any successor to its business and/or assets as aforesaid which assumes and agrees to perform this Agreement by operation of law or otherwise.

(c) Survival . The covenants, agreements, representations and warranties contained in or made in Sections 4, 5, 6, 8 and 9 of this Agreement shall survive any termination of this Agreement.

(d) Third-Party Beneficiaries . This Agreement does not create, and shall not be construed as creating, any rights enforceable by any person not a party to this Agreement.

(e) Waiver . The failure of either party hereto at any time to enforce performance by the other party of any provision of this Agreement shall in no way affect such party's rights thereafter to enforce the same, nor shall the waiver by either party of any breach of any provision hereof be deemed to be a waiver by such party of any other breach of the same or any other provision hereof.

(f) Section Headings. The headings of the several sections in this Agreement are inserted solely for the convenience of the parties and are not a part of and are not intended to govern, limit or aid in the construction of any term or provision hereof.

(g) Notices. All notices, requests and other communications hereunder shall be in writing and shall be delivered by courier or other means of personal service (including by means of a nationally recognized courier service or professional messenger service), or sent by telex or telecopy or mailed first class, postage prepaid, by certified mail, return receipt requested, in all cases, addressed to the Company or the Board at the Company's principal executive office and to Employee at the most recent address on the Company's payroll records. All notices, requests and other communications shall be deemed given on the date of actual receipt or delivery as evidenced by written receipt, acknowledgement or other evidence of actual receipt or delivery to the address. In case of service by telecopy, a copy of such notice shall be personally delivered or sent by registered or certified mail, in the manner set forth above, within three business days thereafter. Any party hereto may from time to time by notice in writing served as set forth above designate a different address or a different or additional person to which all such notices or communications thereafter are to be given.

(h) Severability. All Sections, clauses and covenants contained in this Agreement are severable, and in the event any of them shall be held to be invalid by any court, this Agreement shall be interpreted as if such invalid Sections, clauses or covenants were not contained herein.

(i) Governing Law and Venue. This Agreement is to be governed by and construed in accordance with the laws of the State of California applicable to contracts made and to be performed wholly within such State, and without regard to the conflicts of laws principles thereof. Except as provided in Sections 6 and 8, any suit brought hereon shall be brought in the state or federal courts sitting in San Diego, California, the parties hereto hereby waiving any claim or defense that such forum is not convenient or proper. Each party hereby agrees that any such court shall have in personam jurisdiction over it and consents to service of process in any manner authorized by California law.

(j) Non-transferability of Interest. None of the rights of Employee to receive any form of compensation payable pursuant to this Agreement shall be assignable or transferable except through a testamentary disposition or by the laws of descent and distribution upon the death of Employee. Any attempted assignment, transfer, conveyance, or other disposition (other than as aforesaid) of any interest in the rights of Employee to receive any form of compensation to be made by the Company pursuant to this Agreement shall be void.

(k) Gender. Where the context so requires, the use of the masculine gender shall include the feminine and/or neuter genders and the singular shall include the plural, and vice versa, and the word "person" shall include any corporation, firm, partnership or other form of association.

(l) Counterparts . This Agreement may be executed in one or more counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same Agreement.

(m) Construction . The language in all parts of this Agreement shall in all cases be construed simply, according to its fair meaning, and not strictly for or against any of the parties hereto. Without limitation, there shall be no presumption against any party on the ground that such party was responsible for drafting this Agreement or any part thereof.

(n) Withholding and other Deductions . All compensation payable to Employee hereunder shall be subject to such deductions as the Company is from time to time required to make pursuant to law, governmental regulation or order.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first set forth above.

CONATUS PHARMACEUTICALS INC.

By: /s/ Steven J. Mento, Ph.D.
Name: Steven J. Mento, Ph.D.
Title: President and CEO

/s/ Keith W. Marshall, Ph.D., M.B.A.
Keith W. Marshall, Ph.D., M.B.A.

Exhibit 10.2

CONATUS PHARMACEUTICALS INC.

NON-QUALIFIED INDUCEMENT STOCK OPTION GRANT NOTICE
AND STOCK OPTION AGREEMENT

As an inducement material to the decision by the individual listed below (" Optionee ") to accept employment with Conatus Pharmaceuticals Inc., a Delaware corporation, (the " Company "), and pursuant to that certain employment agreement entered into by and between Optionee and the Company, dated as of August 31, 2017, the Company hereby grants to Optionee a nonqualified option to purchase the number of shares of the common stock of the Company (" Stock ") set forth below (the " Option "). This Option is subject to the terms and conditions set forth in this Non-Qualified Inducement Stock Option Grant Notice (the " Grant Notice ") and the Stock Option Agreement attached hereto as Exhibit A (the " Agreement "), which is incorporated herein by reference. This Option is made and granted as a stand-alone award and is not granted under or pursuant to the Conatus Pharmaceuticals Inc. 2013 Incentive Award Plan (the " Plan "). However, for convenience purposes, unless otherwise defined herein, the terms defined in the Plan shall have the same defined meanings in the Grant Notice and the Agreement.

Optionee:	Keith W. Marshall, Ph.D., M.B.A.
Grant Date:	August 31, 2017
Vesting Commencement Date:	August 31, 2017
Exercise Price per Share:	$5.74
Total Exercise Price:	$3,013,500
Total Number of Shares Subject to the Option:	525,000
Expiration Date:	August 30, 2027
Vesting Schedule:	(a) Twenty-five percent (25%) of the Shares of Stock subject to the Option (rounded down to the next whole number of Shares) shall vest one year after the Vesting Commencement Date, and 1/48 of the Shares of Stock subject to the Option (rounded down to the next whole number of Shares) shall vest on the last day of each one-month period of Optionee's service thereafter, so that all of the Shares of Stock subject to the Option shall be vested on the fourth (4 th) anniversary of the Vesting Commencement Date. (b) In addition, fifty percent (50%) of the then-unvested Shares subject to the Option (rounded down to the next whole number of Shares) shall vest on the date of a Change in Control (as defined in the Plan), and the remaining Shares subject to the Option shall vest on the first anniversary of the Change in Control, subject to earlier acceleration as provided below. (c) In addition, in the event of the Optionee's Termination of Service (as defined in the Plan) by the Company without Cause (as defined in the Optionee's employment agreement with the Company) or by the Optionee for Good Reason (as defined in the Optionee's employment agreement with the Company) more than ninety (90) days prior to the occurrence of a Change in Control, the vesting of the Option shall be automatically accelerated on the date of such Termination of Service as to the number of Shares subject to the Option (rounded down to the next whole number of Shares) that would have vested over the twelve (12) month period following the date of the Optionee's Termination of Service had the Optionee remained continuously employed by the Company during such period. (d) In addition, in the event of the Optionee's Termination of Service by the Company without Cause or by the Optionee for Good Reason during (i) the ninety (90) day period preceding the occurrence of a Change in Control or (ii) following the occurrence of a Change in Control, all of the Shares subject to the Option shall vest upon the later of (x) the date of the Optionee's Termination of Service or (y) the occurrence of such Change in Control.
Type of Option:	☒ Non-Qualified Stock Option

By Optionee's signature below, Optionee agrees to be bound by the terms and conditions of the Agreement and the Grant Notice. Optionee has reviewed the Agreement and the Grant Notice in their entirety, has had an opportunity to obtain the advice of counsel prior to executing the Grant Notice and fully understands all provisions of the Grant Notice and the Agreement. Optionee hereby agrees to accept as binding, conclusive and final all decisions or interpretations of the Administrator upon any questions arising under the Grant Notice or the Agreement.

CONATUS PHARMACEUTICALS INC.

By: /s Steven J. Mento, Ph.D.
Print Name: Steven J. Mento, Ph.D.
Title: President and CEO

OPTIONEE

By: /s/ Keith W. Marshall, Ph.D., M.B.A.
Print Name: Keith W. Marshall, Ph.D., M.B.A.

EXHIBIT A
TO NON-QUALIFIED INDUCEMENT STOCK OPTION GRANT NOTICE

STOCK OPTION AGREEMENT

Pursuant to the Grant Notice to which this Agreement is attached, the Company has granted to Optionee an Option to purchase the number of shares of Stock set forth in the Grant Notice.

ARTICLE 1.
GENERAL

1.1 Non-Plan Grant; Incorporation of Terms of Plan . The Option is made and granted as a stand-alone award, separate and apart from, and outside of, the Plan, and shall not constitute an award granted under or pursuant to the Plan. Notwithstanding the foregoing, the terms, conditions and definitions set forth in the Plan shall apply to the Option (including but not limited to the adjustment provisions contained in Section 13.2 of the Plan), and the Option shall be subject to such terms, conditions and definitions, which are hereby incorporated into this Agreement by reference. For the avoidance of doubt, the Option shall not be counted for purposes of calculating the aggregate number of Shares that may be issued or transferred pursuant to Awards under the Plan as set forth in Section 3.1(a) of the Plan. In the event of any inconsistency between the Plan and this Agreement, the terms of this Agreement shall control.

1.2 Employment Inducement Grant . The Option is intended to constitute an "employment inducement grant" under NASDAQ Listing Rule 5635(c)(4), and consequently is intended to be exempt from the NASDAQ rules regarding stockholder approval of stock option and stock purchase plans. This Agreement and the terms and conditions of the Option shall be interpreted in accordance and consistent with such exemption.

ARTICLE 2.
GRANT OF OPTION

2.1 Grant of Option . In consideration of Optionee's agreement to commence employment with and remain in the employ of the Company or a Subsidiary and for other good and valuable consideration, effective as of the grant date set forth in the Grant Notice (the " Grant Date "), the Company has granted to Optionee the Option to purchase any part or all of an aggregate of the number of shares of Stock set forth in the Grant Notice, upon the terms and conditions set forth in the Grant Notice and this Agreement.

2.2 Exercise Price . The exercise price per share of the shares of Stock subject to the Option (the " Exercise Price ") shall be as set forth in the Grant Notice.

2.3 Consideration to the Company . In consideration of the grant of the Option by the Company, Optionee agrees to render faithful and efficient services to the Company or any Subsidiary. Nothing in the Grant Notice or this Agreement shall confer upon Optionee any right to continue in the employ or service of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Optionee at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Optionee.

ARTICLE 3.
PERIOD OF EXERCISABILITY

3.1 Commencement of Exercisability .

(a) Subject to Sections 3.2, 3.3, 5.10 and 5.15 hereof, the Option shall become vested and exercisable in such amounts and at such times as are set forth in the Grant Notice.

(b) No portion of the Option which has not become vested and exercisable at the date of Optionee's Termination of Service shall thereafter become vested and exercisable, except as may be otherwise provided by the Administrator or as set forth in a written agreement between the Company and Optionee.

3.2 Duration of Exercisability . The installments provided for in the vesting schedule set forth in the Grant Notice are cumulative. Each such installment which becomes vested and exercisable pursuant to the vesting schedule set forth in the Grant Notice shall remain vested and exercisable until it becomes unexercisable under Section 3.3 hereof.

3.3 Expiration of Option . The Option may not be exercised to any extent by anyone after the first to occur of the following events:

(a) The expiration date set forth in the Grant Notice;

(b) Except as the Administrator may otherwise approve, in the event of Optionee's Termination of Service other than for Cause or by reason of Optionee's death or Disability, the expiration of three (3) months from the date of Optionee's Termination of Service; provided , however , that in the event Optionee's Termination of Service occurs by reason of Optionee's termination by the Company other than for Cause or by Optionee for Good Reason, in each case during the ninety (90) day period preceding a Change in Control, then any portion of the Option that becomes exercisable on the date of the Change in Control pursuant to clause (d) of the Vesting Schedule set forth in the Grant Notice may be exercised until the expiration of three (3) months after the date of the Change in Control;

(c) Except as the Administrator may otherwise approve, the expiration of one (1) year from the date of Optionee's Termination of Service by reason of Optionee's death or Disability; or

(d) Except as the Administrator may otherwise approve, upon Optionee's Termination of Service for Cause.

Except as otherwise provided in this Agreement, with respect to any unvested portion of the Option, the Option will expire on the date that is 30 days following Optionee's Termination of Service other than for Cause, or such shorter period as may be determined by the Administrator.

3.4 Tax Withholding . Notwithstanding any other provision of this Agreement:

(a) The Company and its Subsidiaries have the authority to deduct or withhold, or require Optionee to remit to the Company or the applicable Subsidiary, an amount sufficient to satisfy applicable federal, state, local and foreign taxes (including the employee portion of any FICA obligation) required by law to be withheld with respect to any taxable event arising pursuant to this Agreement. The Company and its Subsidiaries may withhold or Optionee may make such payment in one or more of the forms specified below:

(i) by cash or check made payable to the Company or the Subsidiary with respect to which the withholding obligation arises;

(ii) by the deduction of such amount from other compensation payable to Optionee;

(iii) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by requesting that the Company withhold a net number of shares of Stock issuable upon the exercise of the Option having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(iv) with respect to any withholding taxes arising in connection with the exercise of the Option, with the consent of the Administrator, by tendering to the Company shares of Stock having a then current Fair Market Value not exceeding the amount necessary to satisfy the withholding obligation of the Company and its Subsidiaries based on the minimum applicable statutory withholding rates for federal, state, local and foreign income tax and payroll tax purposes;

(v) with respect to any withholding taxes arising in connection with the exercise of the Option, through the delivery of a notice that Optionee has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company or the Subsidiary with respect to which the withholding obligation arises in satisfaction of such withholding taxes; *provided* that payment of such proceeds is then made to the Company or the applicable Subsidiary at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(vi) in any combination of the foregoing.

(b) With respect to any withholding taxes arising in connection with the Option, in the event Optionee fails to provide timely payment of all sums required pursuant to Section 3.4(a), the Company shall have the right and option, but not the obligation, to treat such failure as an election by Optionee to satisfy all or any portion of Optionee's required payment obligation pursuant to Section 3.4(a)(ii) or Section 3.4(a)(iii) above, or any combination of the foregoing as the Company may determine to be appropriate. The Company shall not be obligated to deliver any certificate representing shares of Stock issuable with respect to the exercise of the Option to Optionee or his or her legal representative unless and until Optionee or his or her legal representative shall have paid or otherwise satisfied in full the amount of all federal, state, local and foreign taxes applicable with respect to the taxable income of Optionee resulting from the exercise of the Option or any other taxable event related to the Option.

(c) In the event any tax withholding obligation arising in connection with the Option will be satisfied under Section 3.4(a)(iii) above, then the Company may elect to instruct any brokerage firm determined acceptable to the Company for such purpose to sell on Optionee's behalf a whole number of shares from those shares of Stock that are issuable upon exercise of the Option as the Company determines to be appropriate to generate cash proceeds sufficient to satisfy the tax withholding obligation and to remit the proceeds of such sale to the Company or the Subsidiary with respect to which the withholding obligation arises. Optionee's acceptance of this Award constitutes Optionee's instruction and authorization to the Company and such brokerage firm to complete the transactions described in this Section 3.4(c), including the transactions described in the previous sentence, as applicable. The Company may refuse to issue any shares of Stock to Optionee until the foregoing tax withholding obligations are satisfied.

(d) Optionee is ultimately liable and responsible for all taxes owed in connection with the Option, regardless of any action the Company or any Subsidiary takes with respect to any tax withholding obligations that arise in connection with the Option. Neither the Company nor any Subsidiary makes any representation or undertaking regarding the treatment of any tax withholding in connection with the awarding, vesting or exercise of the Option or the subsequent sale of Stock. The Company and the Subsidiaries do not commit and are under no obligation to structure the Option to reduce or eliminate Optionee's tax liability.

ARTICLE 4.
EXERCISE OF OPTION

4.1 Person Eligible to Exercise . Except as provided in Section 5.3, during the lifetime of Optionee, only Optionee may exercise the Option or any portion thereof, unless it has been disposed of, with the consent of the Administrator, pursuant to a DRO. After the death of Optionee, any exercisable portion of the Option may, prior to the time when the Option becomes unexercisable under Section 3.3 hereof, be exercised by Optionee's personal representative or by any person empowered to do so under the deceased Optionee's will or under the then applicable laws of descent and distribution.

4.2 Partial Exercise . Subject to Section 5.2, any exercisable portion of the Option or the entire Option, if then wholly exercisable, may be exercised in whole or in part at any time prior to the time when the Option or portion thereof becomes unexercisable under Section 3.3 hereof.

4.3 Manner of Exercise . The Option, or any exercisable portion thereof, may be exercised solely by delivery to the Secretary of the Company (or any third party administrator or other person or entity designated by the Company), during regular business hours, of all of the following prior to the time when the Option or such portion thereof becomes unexercisable under Section 3.3 hereof.

(a) An exercise notice in a form specified by the Administrator, stating that the Option or portion thereof is thereby exercised, such notice complying with all applicable rules established by the Administrator;

(b) The receipt by the Company of full payment for the shares of Stock with respect to which the Option or portion thereof is exercised, in such form of consideration permitted under Section 4.3 hereof that is acceptable to the Administrator;

(c) The payment of any applicable withholding tax in accordance with Section 3.4;

(d) Any other written representations or documents as may be required in the Administrator's sole discretion to effect compliance with Applicable Law; and

(e) In the event the Option or portion thereof shall be exercised pursuant to Section 4.1 hereof by any person or persons other than Optionee, appropriate proof of the right of such person or persons to exercise the Option.

Notwithstanding any of the foregoing, the Administrator shall have the right to specify all conditions of the manner of exercise, which conditions may vary by country and which may be subject to change from time to time.

4.4 Method of Payment . Payment of the exercise price shall be by any of the following, or a combination thereof, at the election of Optionee:

(a) by cash or check made payable to the Company;

(b) by the deduction of such amount from other compensation payable to Optionee;

(c) With the consent of the Administrator, surrender of shares of Stock (including, without limitation, shares of Stock otherwise issuable upon exercise of the Option) held for such period of time as may be required by the Administrator in order to avoid adverse accounting consequences and having a Fair Market Value on the date of delivery equal to the aggregate exercise price of the Option or exercised portion thereof;

(d) Through the delivery of a notice that Optionee has placed a market sell order with a broker acceptable to the Company with respect to shares of Stock then issuable upon exercise of the Option, and that the broker has been directed to pay a sufficient portion of the net proceeds of the sale to the Company in satisfaction of the Option exercise price; *provided* that payment of such proceeds is then made to the Company at such time as may be required by the Administrator, but in any event not later than the settlement of such sale; or

(e) Any other form of legal consideration acceptable to the Administrator.

4.5 Conditions to Issuance of Stock . The Company shall not be required to issue or deliver any shares of Stock purchased upon the exercise of the Option or portion thereof prior to fulfillment of all of the following conditions: (a) the admission of such shares of Stock to listing on all stock exchanges on which such Stock is then listed, (b) the completion of any registration or other qualification of such shares of Stock under any state or federal law or under rulings or regulations of the Securities and Exchange Commission or other governmental regulatory body, which the Administrator shall, in its absolute discretion, deem necessary or advisable, (c) the obtaining of any approval or other clearance from any state or federal governmental agency which the Administrator shall, in its absolute discretion, determine to be necessary or advisable, (d) the lapse of such reasonable period of time following the exercise of the Option as the Administrator may from time to time establish for reasons of administrative convenience; (e) the receipt by the Company of full payment for such shares of Stock in accordance with Section 4.3 hereof, and (f) the receipt of full payment of any applicable withholding tax in accordance with Section 3.4 by the Company or its Subsidiary with respect to which the applicable withholding obligation arises.

4.6 Rights as Stockholder . Neither Optionee nor any person claiming under or through Optionee will have any of the rights or privileges of a stockholder of the Company in respect of any shares of Stock purchasable upon the exercise of any part of the Option unless and until certificates representing such shares of Stock (which may be in book-entry form) will have been issued and recorded on the records of the Company or its transfer agents or registrars and delivered to Optionee (including through electronic delivery to a brokerage account). No adjustment will be made for a dividend or other right for which the record date is prior to the date of such issuance, recordation and delivery, except as provided in Section 13.2 of the Plan. Except as otherwise provided herein, after such issuance, recordation and delivery, Optionee will have all the rights of a stockholder of the Company with respect to such shares of Stock, including, without limitation, the right to receipt of dividends and distributions on such shares.

ARTICLE 5.
OTHER PROVISIONS

5.1 Administration . For purposes of this Option, the Grant Notice and this Agreement, the "Administrator" shall mean (a) the Company's Compensation Committee comprised of Independent Directors (as defined below), each of whom is also a Non-Employee Director (as defined below), or (b) a majority of the Company's Independent Directors. The Administrator shall have the power to interpret the Grant Notice and this Agreement and to adopt such rules for the administration, interpretation and application of the Grant Notice and this Agreement as are consistent therewith and to interpret, amend or revoke any such rules. All actions taken and all interpretations and determinations made by the Administrator will be final and binding upon Optionee, the Company and all other interested persons. To the extent allowable pursuant to Applicable Law, no member of the Committee or the Board will be personally liable for any action, determination or interpretation made with respect to the Grant Notice or this Agreement. For purposes of this Option, the Grant Notice and this Agreement, " Independent Director " shall mean a Director of the Company who is not an Employee of the Company and who qualifies as "independent" within the meaning of NASDAQ Stock Market Rule 5605(a)(2), or any successor rule, if the Company's securities are traded on the NASDAQ Stock Market, and/or the applicable requirements of any other established stock exchange on which the Company's securities are traded, as applicable, as such rules and requirements may be amended from time to time. " Non-Employee Director " shall mean a Director of the Company who qualifies as a "Non-Employee Director" as defined in Rule 16b-3(b)(3) of the Exchange Act, or any successor definition.

5.2 Whole Shares . The Option may only be exercised for whole shares of Stock.

5.3 Option Not Transferable .

(a) Subject to Section 5.3(b) hereof, the Option may not be sold, pledged, assigned or transferred in any manner other than by will or the laws of descent and distribution, or, subject to the consent of the Administrator, pursuant to a DRO, unless and until the shares of Stock underlying the Option have been issued, and all restrictions applicable to such shares of Stock have lapsed. Neither the Option nor any interest or right therein or part thereof shall be liable for the debts, contracts or engagements of Optionee or his or her successors in interest or shall be subject to disposition by transfer, alienation, anticipation, pledge, encumbrance, assignment or any other means whether such disposition be voluntary or involuntary or by operation of law by judgment, levy, attachment, garnishment or any other legal or equitable proceedings (including bankruptcy), and any attempted disposition thereof shall be null and void and of no effect, except to the extent that such disposition is permitted by the preceding sentence.

(b) Notwithstanding any other provision in this Agreement, with the consent of the Administrator, the Option may be transferred to, exercised by and paid to one or more Permitted Transferees, subject to the terms and conditions set forth in Section 11.3 of the Plan. Subject to such conditions and procedures as the Administrator may require, a Permitted Transferee may exercise the Option or any portion therefor during the Optionee's lifetime.

5.4 Adjustments. The Administrator may accelerate the vesting of all or a portion of the Option in such circumstances as it, in its sole discretion, may determine. In addition, upon the occurrence of certain events relating to the Stock contemplated by Section 13.2 of the Plan (including, without limitation, an extraordinary cash dividend on such Stock), the Administrator may make such adjustments as the Administrator deems appropriate in the number of shares of Stock subject to the Option, the exercise price of the Option and the kind of securities that may be issued upon exercise of the Option. Optionee acknowledges that the Option is subject to adjustment, modification and termination in certain events as provided in this Agreement and the Plan, including Section 13.2 of the Plan.

5.5 Notices. Any notice to be given under the terms of this Agreement to the Company shall be addressed to the Company in care of the Secretary of the Company at the Company's principal office, and any notice to be given to Optionee shall be addressed to Optionee (or, if Optionee is then deceased, to the person entitled to exercise the Option pursuant to Section 4.1) at Optionee's last address reflected on the Company's records. By a notice given pursuant to this Section 5.5, either party may hereafter designate a different address for notices to be given to that party. Any notice shall be deemed duly given when sent via email or when sent by certified mail (return receipt requested) and deposited (with postage prepaid) in a post office or branch post office regularly maintained by the United States Postal Service.

5.6 Titles. Titles are provided herein for convenience only and are not to serve as a basis for interpretation or construction of this Agreement.

5.7 Governing Law. The laws of the State of Delaware shall govern the interpretation, validity, administration, enforcement and performance of the terms of this Agreement regardless of the law that might be applied under principles of conflicts of laws.

5.8 Conformity to Securities Laws. Optionee acknowledges that the Grant Notice and this Agreement are intended to conform to the extent necessary with all Applicable Laws, including, without limitation, the provisions of the Securities Act and the Exchange Act and any and all regulations and rules promulgated thereunder by the Securities and Exchange Commission and state securities laws and regulations. Notwithstanding anything herein to the contrary, this Agreement shall be administered, and the Option is granted and may be exercised, only in such a manner as to conform to Applicable Law. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to Applicable Law.

5.9 Tax Representations. Optionee has reviewed with Optionee's own tax advisors the federal, state, local and foreign tax consequences of this investment and the transactions contemplated by the Grant Notice and this Agreement. Optionee is relying solely on such advisors and not on any statements or representations of the Company or any of its agents. Optionee understands that Optionee (and not the Company) shall be responsible for Optionee's own tax liability that may arise as a result of this investment or the transactions contemplated by this Agreement.

5.10 Amendment, Suspension and Termination. This Agreement may be wholly or partially amended or otherwise modified, suspended or terminated at any time or from time to time by the Administrator or the Board, *provided* that no amendment, modification, suspension or termination of this Agreement shall adversely affect the Option in any material way without the prior written consent of Optionee.

5.11 Successors and Assigns. The Company may assign any of its rights under this Agreement to single or multiple assignees, and this Agreement shall inure to the benefit of the successors and assigns of the Company. Subject to the restrictions on transfer set forth in Section 5.3 and the Plan, this Agreement shall be binding upon and inure to the benefit of the heirs, legatees, legal representatives, successors and assigns of the parties hereto.

5.12 Limitations Applicable to Section 16 Persons. Notwithstanding any other provision of this Agreement, if Optionee is subject to Section 16 of the Exchange Act, the Option, the Grant Notice and this Agreement shall be subject to any additional limitations set forth in any applicable exemptive rule under Section 16 of the Exchange Act (including any amendment to Rule 16b-3 of the Exchange Act) that are requirements for the application of such exemptive rule. To the extent permitted by Applicable Law, this Agreement shall be deemed amended to the extent necessary to conform to such applicable exemptive rule.

5.13 Not a Contract of Employment . Nothing in this Agreement shall confer upon Optionee any right to continue to serve as an employee or other service provider of the Company or any Subsidiary or shall interfere with or restrict in any way the rights of the Company and its Subsidiaries, which rights are hereby expressly reserved, to discharge or terminate the services of Optionee at any time for any reason whatsoever, with or without cause, except to the extent expressly provided otherwise in a written agreement between the Company or a Subsidiary and Optionee.

5.14 Entire Agreement . The Grant Notice and this Agreement (including any exhibit hereto) constitute the entire agreement of the parties and supersede in their entirety all prior undertakings and agreements of the Company and Optionee with respect to the subject matter hereof, including without limitation, the provisions of any employment agreement or offer letter regarding equity awards to be awarded to Optionee by the Company, or any other oral, implied or written promises, statements, understandings, undertakings or agreements by the Company or any of its representatives regarding equity awards to be awarded to Optionee by the Company.

5.15 Section 409A . This Award is not intended to constitute "nonqualified deferred compensation" within the meaning of Section 409A of the Code (together with any Department of Treasury regulations and other interpretive guidance issued thereunder, including without limitation any such regulations or other guidance that may be issued after the date hereof, " Section 409A "). However, notwithstanding any other provision of the Grant Notice or this Agreement, if at any time the Administrator determines that this Award (or any portion thereof) may be subject to Section 409A, the Administrator shall have the right in its sole discretion (without any obligation to do so or to indemnify Optionee or any other person for failure to do so) to adopt such amendments to the Grant Notice or this Agreement, or adopt other policies and procedures (including amendments, policies and procedures with retroactive effect), or take any other actions, as the Administrator determines are necessary or appropriate for this Award either to be exempt from the application of Section 409A or to comply with the requirements of Section 409A.

5.16 Agreement Severable . In the event that any provision of the Grant Notice or this Agreement is held invalid or unenforceable, such provision will be severable from, and such invalidity or unenforceability will not be construed to have any effect on, the remaining provisions of the Grant Notice or this Agreement.

5.17 Limitation on Optionee's Rights . The grant of the Option confers no rights or interests other than as herein provided. This Agreement creates only a contractual obligation on the part of the Company as to amounts payable and shall not be construed as creating a trust. Optionee shall have only the rights of a general unsecured creditor of the Company with respect to amounts credited and benefits payable, if any, with respect to the Option, and rights no greater than the right to receive the Stock as a general unsecured creditor with respect to options, as and when exercised pursuant to the terms hereof.

5.18 Counterparts . The Grant Notice may be executed in one or more counterparts, including by way of any electronic signature, subject to Applicable Law, each of which shall be deemed an original and all of which together shall constitute one instrument.

5.19 Broker-Assisted Sales . In the event of any broker-assisted sale of shares of Stock in connection with the payment of withholding taxes as provided in Section 3.4(a)(v) or Section 3.4(c) or the payment of the exercise price as provided in Section 4.4(d): (a) any shares of Stock to be sold through a broker-assisted sale will be sold on the day the tax withholding obligation or exercise of the Option, as applicable, occurs or arises, or as soon thereafter as practicable; (b) such shares of Stock may be sold as part of a block trade with other equity award holders in which all Optionees receive an average price; (c) Optionee will be responsible for all broker's fees and other costs of sale, and Optionee agrees to indemnify and hold the Company harmless from any losses, costs, damages, or expenses relating to any such sale; (d) to the extent the proceeds of such sale exceed the applicable tax withholding obligation or exercise price, the Company agrees to pay such excess in cash to Optionee as soon as reasonably practicable; (e) Optionee acknowledges that the Company or its designee is under no obligation to arrange for such sale at any particular price, and that the proceeds of any such sale may not be sufficient to satisfy the applicable tax withholding obligation or exercise price; and (f) in the event the proceeds of such sale are insufficient to satisfy the applicable tax withholding obligation, Optionee agrees to pay immediately upon demand to the Company or its Subsidiary with respect to which the withholding obligation arises, an amount sufficient to satisfy any remaining portion of the Company's or the applicable Subsidiary's withholding obligation.

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EXHIBIT 99.1

Conatus Pharmaceuticals Appoints Keith W. Marshall as Executive Vice President, Chief Operating Officer and Chief Financial Officer

SAN DIEGO, Aug. 31, 2017 (GLOBE NEWSWIRE) -- Conatus Pharmaceuticals Inc. (NASDAQ:CNAT), a biotechnology company focused on the development and commercialization of novel medicines to treat liver disease, today announced the appointment of Keith W. Marshall, Ph.D., M.B.A., as Executive Vice President, Chief Operating Officer and Chief Financial Officer.

“We are pleased to welcome Keith to the Conatus senior management team,” said Steven J. Mento, Ph.D., co-founder, President and Chief Executive Officer of Conatus, “and to round out the team’s capabilities with his highly relevant blend of knowledge and perspective. He has over fifteen years of experience in finance, operations and business advisory roles rooted in a solid scientific and financial education.

“As an agent on private placements for private biotechnology companies, and an advisor to both buyers and sellers in biotechnology and pharmaceutical company transactions,” added Dr. Mento, “Keith has developed a broad understanding of structuring and negotiating deals and a purposeful understanding of product and technology positioning. As a CFO of both a biotechnology company and a boutique advisory firm, he has managed a broad range of business initiatives and established relationships across the professional investment community. As a medical researcher for ten years in both academia and industry and author of multiple peer-reviewed publications, he has established the scientific depth to help guide the company in its product development pursuits. We look forward to Keith’s anticipated contributions as we focus on completing our four ongoing Phase 2b emricasan clinical trials and expanding our pipeline.”

Dr. Marshall has been Chief Financial Officer and Head of Corporate Development since 2015 at Torque Therapeutics, where his responsibilities included finance, operations, human resources, corporate strategy and business development. He served as Managing Director and Advisor in Healthcare Investment Banking from 2012 to 2014 at GCA Savvian Advisors, where he provided strategic counsel to healthcare companies, and continued from 2014 to 2015 at TAG Healthcare Advisors under an alliance with GCA Savvian. Dr. Marshall was Managing Director from 2011 to 2012 at Sagent Advisors; Managing Director, Co-founder, and Chief Financial Officer from 2008 to 2011 at Montgomery, Marshall Healthcare Partners; Managing Director of Healthcare Investment Banking from 2003 to 2008 at Montgomery & Co.; and Associate in Healthcare Investment Banking from 2001 to 2003 at JPMorgan H&Q with additional responsibilities at JPMorgan Partners.

Dr. Marshall previously worked as a Research Associate from 1990 to 1993 at ImmuLogic Pharmaceutical Corporation, where he performed research under a collaboration with Merck around inhibition of MHC Class II molecules for autoimmune disease therapy. He holds an M.B.A. with concentrations in Finance, Strategy, and Entrepreneurship from the University of Chicago – Booth School of Business; a Ph.D. in Pharmaceutical Chemistry from the University of California, San Francisco; and an A.B. in Biology from Washington University in St. Louis.

In connection with his commencement of employment, the company’s compensation committee of the board of directors approved the grant of options to purchase 525,000 shares of the company’s common stock to Dr. Marshall. The stock options were granted on August 31, 2017, the date on which Dr. Marshall commenced employment, and stock options have an exercise price per share equal to the closing price of the company’s common stock on the NASDAQ Stock Market on the grant date. The stock options will vest over a four year period, with 25% of the options vesting on the first anniversary of the date of grant and the remainder of the options vesting monthly over the subsequent three years, subject to Dr. Marshall’s continued service with Conatus through the applicable vesting dates. In addition, the stock options granted to Dr. Marshall will be subject to accelerated vesting in connection with certain qualifying terminations of service or a change in control of the company, as described in his employment agreement with the company. The stock options have a term of ten years from the grant date. The grant was made as an inducement that was a material component of Dr. Marshall’s compensation and acceptance of employment with the company and was granted as an employment inducement award pursuant to NASDAQ Listing Rule 5635(c)(4).

About Conatus Pharmaceuticals
Conatus is a biotechnology company focused on the development and commercialization of novel medicines to treat liver disease. In collaboration with Novartis, Conatus is developing its lead compound, emricasan, for the treatment of patients with chronic liver disease. Emricasan is a first-in-class, orally active pan-caspase inhibitor designed to reduce the activity of enzymes that mediate inflammation and apoptosis. Conatus believes that by reducing the activity of these enzymes, caspase inhibitors have the potential to interrupt the progression of a variety of diseases. For additional information, please visit www.conatuspharma.com.

Forward-Looking Statements
This press release contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. All statements other than statements of historical facts contained in this press release are forward-looking statements, including statements regarding caspase inhibitors' potential to interrupt the progression of a variety of diseases. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplates,” “believes,” “estimates,” “predicts,” “potential” or “continue” or the negative of these terms or other similar expressions. These forward-looking statements speak only as of the date of this press release and are subject to a number of risks, uncertainties and assumptions, including those risks described in the company’s prior press releases and in the periodic reports it files with the Securities and Exchange Commission. The events and circumstances reflected in the company’s forward-looking statements may not be achieved or occur and actual results could differ materially from those projected in the forward-looking statements. Except as required by applicable law, the company does not plan to publicly update or revise any forward-looking statements contained herein, whether as a result of any new information, future events, changed circumstances or otherwise.

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