Sarepta Therapeutics, Inc.
Form 424B5
June 10, 2016
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CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered	Proposed Maximum Offering Price Per Share(1)	Proposed Maximum Aggregate Offering Price(1)	Amount of Registration Fee(1)
Common Stock, $0.0001 par value per share	2,102,000	$15.64	$32,875,280.00	$3,311.00

(1) Estimated solely for the purpose of calculating the registration fee in accordance with Rule 457(a) of the Securities Act of 1933, as amended. In accordance with Rule 457(c) of the Securities Act of 1933, as amended, the price shown is the average of the high and low selling prices of the Common Stock on June 6, 2016 as reported on the NASDAQ Global Select Market.

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Filed pursuant to Rule 424(b)(5)
Registration No. 333-209709

Prospectus Supplement

(To Prospectus dated February 25, 2016)

2,102,000 Shares

Sarepta Therapeutics, Inc.

Common Stock

We are offering 2,102,000 shares of our common stock in this offering.

Our common stock is listed on The NASDAQ Global Select Market under the symbol SRPT. On June 8, 2016, the last reported sale price of our common stock on The NASDAQ Global Select Market was $19.44 per share.

Investing in our common stock involves a high degree of risk. Before making an investment decision, you should carefully consider all of the information set forth in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. See Risk Factors beginning on page S-4 of this prospectus supplement, page 3 of the accompanying prospectus and under similar headings in the documents incorporated by reference into this prospectus supplement and the accompanying prospectus.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters have agreed to purchase shares of our common stock from us at a price of $17.84 per share, which will result in approximately $37,500,000 of net proceeds to us before offering expenses. The underwriters may offer the shares of common stock from time to time to purchasers directly or through agents, or through brokers in brokerage transactions on the Nasdaq Global Select Market, or to dealers in negotiated transactions or in a combination of such methods of sale, at a fixed price or prices, which may be changed, or at market prices prevailing at the time of sale, at prices related to such prevailing market prices or at negotiated prices. We have agreed to reimburse the underwriters for certain expenses in connection with this offering. See Underwriting.

Delivery of the shares of common stock will be made on or about June 14, 2016.

Credit Suisse **Baird**

The date of this prospectus supplement is June 8, 2016.

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PROSPECTUS SUPPLEMENT

ACCOMPANYING PROSPECTUS

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is the prospectus supplement, including the documents incorporated by reference, which describes the specific terms of this offering. The second part, the accompanying prospectus, including the documents incorporated by reference, provides more general information. Generally, when we refer to this prospectus, we are referring to both parts of this document combined. Before you invest, you should carefully read this prospectus supplement, the accompanying prospectus, all information incorporated by reference herein and therein, as well as the additional information described under Where You Can Find Additional Information on page S-39 of this prospectus supplement. These documents contain information you should consider when making your investment decision. This prospectus supplement may add, update or change information contained in the accompanying prospectus. To the extent that any statement that we make in this prospectus supplement is inconsistent with statements made in the accompanying prospectus or any documents incorporated by reference therein, the statements made in this prospectus supplement will be deemed to modify or supersede those made in the accompanying prospectus and such documents incorporated by reference therein.

You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and in any free writing prospectuses we may provide to you in connection with this offering. We have not, and the underwriters have not, authorized any other person to provide any information other than that contained or incorporated by reference in this prospectus supplement or in any free writing prospectus prepared by or on behalf of us. Neither we nor the underwriters take any responsibility for, and can provide no assurance as to the reliability of, any information that others may give you. We are offering to sell, and seeking offers to buy, shares of our common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the offering of the common stock in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement must inform themselves about, and observe any restrictions relating to, the offering of the common stock and the distribution of this prospectus supplement outside the United States. This prospectus supplement does not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation. You should not assume that the information contained in this prospectus supplement, the accompanying prospectus or the documents incorporated herein or therein by reference is accurate as of any date other than their respective dates. Our business, financial condition, results of operations and prospects may have changed since those dates.

In this prospectus supplement and the accompanying prospectus, unless the context specifies or implies otherwise, the terms the Company, Sarepta, we, us, and our refer to Sarepta Therapeutics, Inc. and its subsidiaries.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights selected information about us, this offering and information appearing elsewhere in this prospectus supplement, in the accompanying prospectus and in the documents we incorporate by reference. This summary is not complete and does not contain all the information you should consider before investing in our common stock pursuant to this prospectus supplement and the accompanying prospectus. Before making an investment decision, to fully understand this offering and its consequences to you, you should carefully read this entire prospectus supplement and the accompanying prospectus, including Risk Factors beginning on page S-4 of this prospectus supplement, the financial statements, and related notes, and the other information that we incorporated by reference herein.

Sarepta Therapeutics, Inc.

Overview

We are a biopharmaceutical company focused on the discovery and development of unique RNA-targeted therapeutics for the treatment of rare, infectious and other diseases. Applying our proprietary, highly-differentiated and innovative platform technologies, we are able to target a broad range of diseases and disorders through distinct RNA-targeted mechanisms of action. We are primarily focused on rapidly advancing the development of our potentially disease-modifying Duchenne muscular dystrophy (DMD) drug candidates, including our lead DMD product candidate, eteplirsen, designed to skip exon 51. On August 25, 2015, we announced the filing by the U.S. Food and Drug Administration (FDA) of our new drug application (NDA) for eteplirsen for the treatment of DMD amenable to exon 51 skipping. As of the date of this prospectus, our NDA for eteplirsen is still under review by the FDA. We are also developing therapeutics using our technology for the treatment of drug resistant bacteria and infectious, rare and other human diseases.

Recent Developments

On April 25, 2016, the FDA Peripheral and Central Nervous System Advisory Committee (PCNSC) met to review our NDA for eteplirsen for the treatment of DMD amenable to exon 51 skipping. The PCNSC voted 6 to 7 against the finding of substantial evidence from adequate and well-controlled studies that show that eteplirsen induces production of dystrophin to a level that is reasonably likely to predict clinical benefit (FDA Question #2). The PCNSC voted 3 to 7, with three abstentions, against finding substantial evidence based on the clinical results of the single historically-controlled study that eteplirsen is effective for treatment of DMD (FDA Question #7). In three additional voting questions, the panel voted 5 to 7, with one abstention, against whether decisions to administer the 6-minute walk test (vs. conclusions that the patient could no longer walk) were sufficiently objective and free of bias and subjective decision-making by patients, their caregivers, and/or health care professionals to allow for a valid comparison between patients in Study 201/202 and an external control group (FDA Question #4). The panel voted on the impact of the North Star Ambulatory Assessment with one panel member voting that it strengthened the persuasiveness of the findings in Study 201/202, with five voting that it weakened the persuasiveness, and seven voting that it had no effect (FDA Question #5). The panel also voted on the impact of the other tests of physical performance (e.g., rise time, 10-meter run/walk) on the persuasiveness of the findings in Study 201/202, with the result of one panel member voting that they strengthened the persuasiveness, two voting that they weakened the persuasiveness, and ten voting that they had no effect (FDA Question # 6). The FDA is not bound by the PCNSC s recommendation but takes its advice into consideration when reviewing New Drug and Biologic License Applications in general.

The Prescription Drug User Fee Act (PDUFA) action date for eteplirsen was May 26, 2016. However, on May 25, 2016, we announced that that the FDA notified us that they are continuing their review and internal discussions related to our pending NDA for eteplirsen and will not be able to complete their work by the PDUFA goal date of May 26, 2016. The FDA has communicated that they will continue to work past the PDUFA goal

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date and strive to complete their work in as timely a manner as possible. On June 6, 2016, we announced that the FDA has requested that Sarepta provide dystrophin data, as measured by western blot, from biopsies already obtained from the ongoing confirmatory study of eteplirsen (PROMOVI), as part of its ongoing evaluation of the eteplirsen NDA. We plan to submit data from thirteen patient biopsy samples, at baseline and Week 48, to the FDA over the coming weeks to facilitate a prompt decision on the NDA by the FDA.

Corporate Information

We were originally incorporated in the State of Oregon on July 22, 1980 and, on June 6, 2013, we reincorporated in the State of Delaware. Our principal executive offices are located at 215 First Street, Suite 415, Cambridge, MA 02142 and our telephone number is (617) 274-4000. We maintain an Internet website at www.sarepta.com. We have not incorporated the information on our website by reference into this prospectus, and you should not consider it to be a part of this prospectus.

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THE OFFERING

Common stock offered by us	2,102,000 shares
Common stock to be outstanding immediately after this offering	47,926,377 shares
Use of proceeds	We intend to use the net proceeds from this offering principally for product and commercial development, manufacturing, any business development activities and other general corporate purposes. Please see Use of Proceeds on page S-29.
Risk factors	See Risk Factors beginning on page S-4 of this prospectus supplement for a discussion of factors that you should read and consider before investing in our securities.
NASDAQ Global Select Market symbol	SRPT

The number of shares of our common stock to be outstanding immediately after this offering as shown above is based on 45,824,377 shares outstanding as of June 1, 2016. This number of shares excludes the following:

- 7,164,587 shares of our common stock issuable upon the exercise of stock options outstanding under our 2002 Equity Incentive Plan, our Amended and Restated 2011 Equity Incentive Plan (2011 Equity Incentive Plan), our 2014 Employment Commencement Incentive Plan (2014 Equity Incentive Plan) and certain non-plan option grants;
- 168,631 shares of restricted stock awards issuable upon vesting under our 2011 Equity Incentive Plan;
- 167,812 shares subject to stock appreciation rights under our 2011 Equity Incentive Plan;
- 895,173 shares of our common stock available for future issuance under our 2011 Equity Incentive Plan; and
- 1,025,650 shares of our common stock available for future issuance under our 2014 Equity Incentive Plan.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. Investors should carefully consider the risks described in our Annual Report on Form 10-K, our Quarterly Report on Form 10-Q, as well as other information in this prospectus supplement and the documents incorporated by reference herein before deciding whether to invest in our securities. The risks described below are not the only ones we face. If any of the following risks actually occurs, our business, financial condition or results of operations could be adversely affected. In such case, the trading price of our common stock could decline and you could lose all or part of your investment. Our actual results could differ materially from those anticipated in the forward-looking statements made throughout this prospectus supplement as a result of different factors, including the risks we face described below.

Risks Related to this Offering

Management will have broad discretion over the use of the net proceeds to us from this offering and may apply it to uses that do not improve our operating results or the value of your securities.

Our management will have broad discretion to use the net proceeds to us from this offering, and investors will be relying solely on the judgment of our board of directors and management regarding the application of these proceeds. Although we expect to use the net proceeds from this offering for product and commercial development, manufacturing, any business development activities and other general corporate purposes, we have not allocated these net proceeds for specific purposes. Investors will not have the opportunity, as part of their investment decision, to assess whether the proceeds are being used appropriately. Our use of the proceeds may not improve our operating results or increase the value of the securities being offered hereby.

A substantial number of shares of common stock may be sold in the market following this offering, which may depress the market price for our common stock.

Sales of a substantial number of shares of our common stock in the public market following this offering could cause the market price of our common stock to decline. A substantial majority of the outstanding shares of our common stock are, and the shares of common stock sold in this offering upon issuance will be, freely tradable without restriction or further registration under the Securities Act of 1933, as amended (the Securities Act).

Investors in this offering will experience immediate and substantial dilution.

Since the price per share of our common stock being offered is substantially higher than the net tangible book value per share of our common stock, you will suffer substantial dilution in the net tangible book value of the common stock you purchase in this offering. Based on a net tangible book value of our common stock of $2.89 per share as of March 31, 2016, if you purchase shares of common stock in this offering, you will suffer immediate and substantial dilution of $14.29 per share in the net tangible book value of common stock. See the section entitled Dilution below for a more detailed discussion of the dilution you will incur if you purchase common stock in this offering.

Our ability to use net operating loss and tax credit carryforwards and certain built-in losses to reduce future tax payments is limited by provisions of the Internal Revenue Code, and it is possible that certain transactions or a combination of certain transactions may result in material additional limitations on our ability to use our net operating loss and tax credit carryforwards.

As of December 31, 2015, we had U.S. federal and state net operating loss carryforwards of $388.2 million and $313.1 million, respectively, available to reduce future taxable income, which expire 2016 through 2034. These net

operating losses have been fully offset by a valuation allowance due to uncertainties surrounding our ability to realize these tax benefits. In general, if we experience a greater than 50 percent aggregate change in

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ownership of certain significant stockholders over a three-year period, or a Section 382 ownership change, utilization of our pre-change NOL carryforwards will be subject to an annual limitation under Section 382 of the Internal Revenue Code of 1986, as amended, and similar state laws. Such limitations may result in expiration of a portion of the NOL carryforwards before utilization and may be substantial. If we experience a Section 382 ownership change in connection with this offering or as a result of future changes in our stock ownership, some of which changes are outside our control, the tax benefits related to the NOL carryforwards may be limited or lost.

Risks Related to Our Business

If the FDA makes a decision on eteplirsen that is consistent with the votes taken by the PCNSC on April 25, 2016 and does not approve our eteplirsen NDA, our business may be negatively impacted and we may suffer financial losses in connection with delaying or terminating contracts, manufacturing commitments and employees hired in connection with our activities in preparation for a potential commercial launch as well as potentially delaying or terminating programs in our pipeline including pre-clinical and clinical studies.

On April 25, 2016, the PCNSC, among other votes, voted 6 7 against the finding of substantial evidence from adequate and well controlled studies that show that eteplirsen induces production of dystrophin to a level that is reasonably likely to predict clinical benefit (FDA Question #2). The advisory committee also voted 3 7, with three abstentions, against finding substantial evidence based on the clinical results of the single historically controlled study (Study 201/202) that eteplirsen is effective for treatment of DMD (FDA Question #7). While the FDA is not bound by the PCNSC s determination, the FDA takes its advice into consideration when reviewing New Drug and Biologic License Applications. Given the potential commercialization timelines, we commenced, and for the most part completed, certain pre-launch and commercialization investments and activities including, but not limited to, negotiating and entering into supply and other commercial agreements, scaling up manufacturing and hiring certain positions needed for pre-launch and commercial activities and operations. If the FDA delays or does not provide approval for our eteplirsen NDA or we need to delay or discontinue our development and commercialization plans for eteplirsen for other reasons, our business and the development of our follow-on DMD product candidates may be negatively impacted and we may incur financial losses in connection with delaying, winding down or terminating the investments, contracts and commitments we entered into for the purpose of positioning ourselves for a commercial launch of eteplirsen. Additionally, if the approval for eteplirsen is significantly delayed or not obtained, we will need to re-evaluate our pipeline and determine which of our programs will be delayed or terminated including with respect to our pre-clinical and clinical studies.

Most of our product candidates are at an early stage of development and may never receive regulatory approval.

Our most advanced product candidate is eteplirsen for which the FDA is reviewing an NDA. Eteplirsen is being evaluated in several clinical studies, including a confirmatory Phase III clinical trial. The exon 53-skipping product candidate, which we are working on with the SKIP-NMD consortium, is currently in the clinic in EU. The Part I dose-titration portion of this Phase I/IIa study has been completed and Part II of the study is ongoing. We have also completed the dose titration portion and are conducting the open-label portion of a study for our exon 45-skipping product candidate. Additionally, we are working towards initiating a clinical trial in the U.S. and the E.U. for exon 45- and 53-skipping product candidates. The remainder of our product candidates are in discovery or early stages of development. These product candidates will require significant further development, financial resources and personnel to develop into commercially viable products and obtain regulatory approval, if at all. Currently, eteplirsen, our exon 45-skipping product candidate, the exon 53-skipping product candidate we are developing with the SKIP-NMD consortium, each for DMD and radavirsen (formerly AVI-7100) for influenza are in active clinical development. Our other product candidates, including our anti-bacterials and AVI-7537 in Ebola/ and AVI-7288, are in discovery, pre-clinical development or inactive. Assuming eteplirsen is approved, we expect that much of our effort and many of

our expenditures over the next several years will be devoted to clinical development and regulatory activities associated with eteplirsen and other exon-skipping

candidates as part of our larger pan-exon strategy in DMD, our infectious disease candidates, our proprietary chemistry, and other potential therapeutic areas that provide long-term market opportunities. We may be delayed, restricted, or unable to further develop our active and other product candidates or successfully obtain approvals needed to market them. In particular, if the FDA does not approve eteplirsen, we will need to re-evaluate our pipeline and which programs we are able to proceed with as well as which pre-clinical and clinical studies we may need to change, delay or terminate based on the FDA s decision.

Our RNA-targeted antisense technology has not been incorporated into a therapeutic commercial product and is still at an early stage of development.

Our RNA-targeted platforms, utilizing proprietary phosphorodiamidate morpholino oligomer (PMO)-based technology, have not been incorporated into a therapeutic commercial product and are still at an early stage of development. This technology is used in all of our product candidates, including eteplirsen. Although we have conducted and are in the process of conducting clinical studies with eteplirsen, an exon 45-skipping product candidate and an exon 53-skipping product candidate and pre-clinical studies with our other product candidates that use our PMO-based antisense technology, additional studies may be needed to determine the safety and efficacy of our PMO-based antisense technology. In addition, nonclinical models used to evaluate the activity and toxicity of product candidate compounds are not necessarily predictive of toxicity or efficacy of these compounds in the treatment of human disease. As such, there may be substantially different results observed in clinical trials from those observed in pre-clinical studies. Any failures or setbacks in developing or utilizing our PMO-based technology, including adverse effects in humans, could have a detrimental impact on our product candidate pipeline and our ability to maintain and/or enter into new corporate collaborations regarding these technologies, which would negatively affect our business and financial condition.

We have been granted orphan drug designations in the U.S. and in the E.U. for certain of our product candidates, however, there can be no guarantee that we will maintain orphan status for these product candidates nor that we will receive orphan drug approval and hence prevent third parties from developing and commercializing products that are competitive to these product candidates in the absence of other barriers to entry.

To date, we have been granted orphan drug designation under the Orphan Drug Act by the FDA for two of our product candidates in DMD (including eteplirsen), AVI-7537 for the treatment of Ebola virus and AVI-7288 for the treatment of the Marburg virus. Upon approval from the FDA of an NDA, products granted orphan drug status are generally provided with seven years of marketing exclusivity in the U.S., meaning the FDA generally will not approve applications for other product candidates for the same orphan indication that contain the same active ingredient. Even if we are the first to obtain approval of an orphan product and are granted exclusivity in the United States, there are limited circumstances under which a later competitor product may be approved for the same indication during the seven-year period of marketing exclusivity, such as if the later product is shown to be clinically superior to our product or due to an inability to assure a sufficient quantity of the orphan drug.

We also have been granted orphan medicinal product designations in the E.U. for two of our product candidates in DMD (including eteplirsen). Product candidates granted orphan status in Europe can be provided with up to 10 years of marketing exclusivity, meaning that another application for marketing authorization of a later similar medicinal product for the same therapeutic indication will generally not be approved in Europe during that time period. Although we may have product candidates that may obtain orphan drug exclusivity in Europe, the orphan status and associated exclusivity period may be modified for several reasons, including a significant change to the orphan medicinal product designations or status criteria after-market authorization of the orphan product (*e.g.*, product profitability exceeds the criteria for orphan drug designation), problems with the production or supply of the orphan drug, or a competitor drug, although similar, is safer, more effective or otherwise clinically superior than the initial

orphan drug.

We are not guaranteed to receive or maintain orphan status for our current or future product candidates, and if our product candidates that are granted orphan status were to lose their status as orphan drugs or the marketing

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exclusivity provided for them in the United States or the E.U., our business and results of operations could be materially adversely affected. While orphan status for any of our products, if granted or maintained, would provide market exclusivity in the United States and the E.U. for the time periods specified above, we would not be able to exclude other companies from manufacturing and/or selling products using the same active ingredient for the same indication beyond the exclusivity period applicable to our product on the basis of orphan drug status. In addition, we cannot guarantee that another company will not receive approval to market a product candidate that is granted orphan drug status in the United States or the E.U. for a product candidate that has the same active ingredient or is a similar medicinal product for the same indication as any of our product candidates for which we plan to file an NDA or marketing authorization application (MAA). If that were to happen, any pending NDA or MAA for our product candidate for that indication may not be approved until the competing company s period of exclusivity has expired in the United States or the E.U., as applicable. Further, application of the orphan drug regulations in the United States and Europe is uncertain, and we cannot predict how the respective regulatory bodies will interpret and apply the regulations to our or our competitors product candidates.

Even if we receive regulatory approvals for any of our product candidates, it is possible that their commercialization may be delayed or they may not become commercially viable products.

Even if a product candidate receives regulatory approval, the product may not gain market acceptance among physicians, patients, healthcare or third-party payers or the medical community, which could limit commercialization of the product. Assuming that any of our product candidates receives the required regulatory approvals, timing and success of commercialization will depend on a number of factors, including but not limited to the following:

- FDA mandated package insert revisions and the time it would take the Company to produce the package insert and comply with any related FDA requirements;
- demonstration and/or confirmation of clinical efficacy and safety and acceptance of the same by the medical community;
- cost-effectiveness of the product;
- the availability of adequate reimbursement by third parties, including government payers such as the Medicare and Medicaid programs, managed care organizations and private health insurers;
- the product s potential advantage over alternative or competitive treatment methods;
- whether the product can be manufactured in commercial quantities and at acceptable costs;
- marketing and distribution support for the product;

any exclusivities or patent rights applicable to the product;

the market-size for the product which may be different than expected and may be limited or otherwise impacted by the FDA approved package insert for a product; and

our ability to achieve and sustain profitability, which may not occur if we are unable to develop and commercialize any of our product candidates, development is delayed or sales revenue from any product candidate that receives marketing approval is insufficient.

If there are significant delays in obtaining or we are unable to obtain or maintain required regulatory approvals, we will not be able to commercialize our product candidates in a timely manner or at all, which would materially impair our ability to generate revenue and have a successful business.

The research, testing, manufacturing, labeling, approval, commercialization, marketing, selling and distribution of drug products are subject to extensive regulation by applicable local, regional and national regulatory authorities and regulations may differ from jurisdiction to jurisdiction. In the United States, approvals

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and oversight from federal (e.g., FDA), state and other regulatory authorities are required for these activities. Sale and marketing of our product candidates in the United States or other countries is not permitted until we obtain the required approvals from the applicable regulatory authorities. Our ability to obtain the government or regulatory approvals required to commercialize any of our product candidates, including eteplirsen, on an accelerated approval (e.g., under the Food and Drug Administration Safety and Innovation Act of 2012 (FDASIA)) or any other basis, in any jurisdiction, including in the United States, cannot be assured, may be significantly delayed or may never be achieved for various reasons including the following:

Our pre-clinical, clinical, Chemistry, Manufacturing and Controls (CMC) and other data and analyses from past, current and future studies for any of our product candidates may not be sufficient to meet regulatory requirements for submissions, advisory committee panels, filings or approvals. The FDA could disagree with our beliefs, interpretations and conclusions regarding data we submit in connection with an NDA submission, including the eteplirsen NDA, or other product candidates, and may delay, reject or refuse to file or approve any NDA submission we make or provide a complete response letter until we meet their additional requirements, if ever. In addition, an advisory committee could determine our data are insufficient to provide a positive recommendation for approval of any NDA we submit to the FDA. Even if we meet FDA requirements and an advisory committee votes to recommend approval of an NDA submission, the FDA could still deny approval of our product candidates based on their review of the data or other factors. These risks apply to our eteplirsen NDA which is the only NDA we have submitted to the FDA for review to date. For example, on April 25, 2016, we announced the voting results from the advisory committee that met on that day to review our eteplirsen NDA. Although we announced on June 6, 2016 that the FDA has requested certain additional dystrophin data and our plans to provide this information to the FDA, we do not know what these additional data will show or whether the data will be consistent with the prior data we have submitted to the FDA or support approval of the eteplirsen NDA. In addition, although we announced on June 6, 2016 that we plan to submit the dystrophin data requested by the FDA in the coming weeks to facilitate a prompt FDA decision on the eteplirsen NDA, due to unforeseen reasons or other factors, we may be delayed or unable to provide some or all of the information requested to the FDA and or the FDA may not be able to make a prompt decision on the eteplirsen NDA after we submit the requested dystrophin data. Even if we believe that the additional dystrophin data we plan to collect and analyze support an approval of our eteplirsen NDA, the FDA may disagree with our interpretation of the additional dystrophin data we collect or the methods in which we analyzed or collected our data and further delay or decline to provide marketing approval for eteplirsen.

The regulatory approval process for product candidates targeting orphan diseases, such as DMD, that use new technologies and processes, such as antisense oligonucleotide therapies, and novel endpoints, such as natural history data and dystrophin measures, is uncertain due to, among other factors, evolving interpretations of a new therapeutic class, the broad discretion of regulatory authorities, lack of precedent, varying levels of applicable expertise of regulators or their advisory committees, scientific developments, changes in the competitor landscape, shifting political priorities and changes in applicable laws, rules or regulations and interpretations of the same. We cannot be sure that any of our product candidates, including eteplirsen, will qualify for accelerated approval under FDASIA or any other expedited development, review and approval programs, or that, if a drug does qualify, that the product candidates will be approved, will be accepted as part of any such program or that the review time will be shorter than a standard review. As a result of uncertainty in the approval process, we may not be able to anticipate, prepare for or satisfy requests or requirements from regulatory authorities, including completing and submitting planned INDs and NDAs

for our product candidates, in a timely manner, or at all. Examples of such requests or requirements could include, but are not limited to, conducting additional or redesigned trials and procedures (e.g., additional patient muscle biopsies and dystrophin analyses), repeating or completing additional analysis of our data, or providing additional supportive data. In addition, an advisory committee or regulators may disagree with our data analysis, interpretations and conclusions at any point in the approval process, which could negatively impact the review of our NDA or result in a decision by the Company not to proceed with the development of a

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product candidate or an NDA submission for a product candidate based on feedback from regulators. For example, during the advisory committee meeting held on April 25, 2016, the FDA expressed disagreement with certain of our data analysis, interpretations and conclusions relating to efficacy and our eteplirsen NDA. Additionally, in reviewing the dystrophin data and analysis that we submitted for eteplirsen, the FDA previously expressed concerns with dystrophin as a surrogate endpoint and requested an independent assessment of dystrophin positive fibers measured in our eteplirsen Phase IIb study, which we provided. The FDA also requested natural history data to better evaluate the ongoing clinical results of our eteplirsen 201/202 study, which we also provided. Any material inconsistencies between our existing data and analysis and any new analysis and additional data we provide to the FDA, including the independent assessment of dystrophin positive fibers, safety data, natural history, biopsy data and the additional dystrophin data we announced on June 6, 2016 that has been requested by the FDA and which we plan to provide, could negatively impact the review and decision on approval of our eteplirsen NDA submission. While our studies demonstrate statistical significance, the FDA may not consider our six-minute walk test (6MWT) results, including our comparison of our 6MWT results to matched external natural history data, or, to the extent the FDA considers dystrophin a relevant biomarker, the dystrophin production observed in our studies or any new dystrophin data we provide, as demonstration of, or reasonably likely to predict a clinical benefit. Additionally, the FDA may determine, after evaluating the totality of our data and analysis package for a product candidate, or receiving the vote of an advisory committee, that such package does not support an NDA approval.

We may not have the resources required to meet regulatory requirements and successfully navigate what is generally a lengthy, expensive and extensive approval process for commercialization of drug product candidates. Any failure on our part to respond to these requirements in a timely and satisfactory manner could significantly delay or negatively impact our placebo-controlled confirmatory study timelines and/or the development plans we have for the exon 53- and exon 45-skipping or other product candidates. Responding to requests from regulators and meeting requirements for clinical studies, submissions, filings, advisory committees and approvals may require substantial personnel, financial or other resources, which, as a small pre-commercial biopharmaceutical company, we may not be able to obtain in a timely manner or at all. In addition, our ability to respond to requests from regulatory authorities that involve our agents, third-party vendors and associates may be complicated by our own limitations and those of the parties we work with. For example, changes to manufacturing processes for the production of eteplirsen may require coordination with our third-party manufacturers, which may or may not be limited in their abilities to execute such regulatory requests. It may be difficult or impossible for us to conform to regulatory guidance or successfully execute our product development plans in response to regulatory guidance, including guidance related to clinical trial design and the timing of regulatory decisions with respect to any NDA submissions.

Due to the above factors, among others, our product candidates could take a significantly longer time to gain regulatory approval than we expect, or may never gain regulatory approval, which would delay or eliminate any potential commercialization or product revenue for us and result in a material adverse effect on the Company that could involve changes, delays in or terminations of programs in our pipeline, delays or terminations of pre-clinical and clinical studies, termination of contracts related to the development of our product candidates and potential commercialization of eteplirsen which can include significant termination costs, workforce reductions and limited ability to raise additional funds to execute company plans.

Even if we are able to comply with all regulatory requests and requirements, the delays resulting from satisfying such requests and requirements, the cost of compliance, or the effect of regulatory decisions (e.g., decisions limiting labeling and indications requested by us for a product candidate) may no longer make commercialization of a product

candidate desirable for us from a business perspective, which could lead us to decide not to commercialize a product candidate.

Even after approval and commercialization of a product candidate, we would remain subject to ongoing regulatory compliance and oversight to maintain our approval. Conducting our confirmatory studies could take

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years to complete, could yield negative or uninterpretable results or could result in an FDA determination that the studies do not provide the safety and efficacy requirements to maintain regulatory approval. If we are not able to maintain regulatory compliance, we may be subject to civil and criminal penalties or we may not be permitted to continue marketing our products, which could have a material adverse effect on our financial condition and harm our competitive position in the market place.

Our pre-clinical and clinical trials may fail to demonstrate acceptable levels of safety, efficacy, and quality of our product candidates, which could prevent or significantly delay their regulatory approval.

To obtain the requisite regulatory approvals to market and sell any of our product candidates, we must demonstrate, through extensive pre-clinical and clinical studies that the product candidate is safe and effective in humans. Ongoing and future pre-clinical and clinical trials of our product candidates may not show sufficient safety, efficacy or adequate quality to obtain or maintain regulatory approvals. Furthermore, success in pre-clinical and early clinical trials does not ensure that the subsequent trials we plan to conduct will be successful, nor does it predict final results of a confirmatory trial. If our study data do not consistently or sufficiently demonstrate the safety or efficacy of any of our product candidates, then the regulatory approvals for such product candidates could be significantly delayed as we work to meet approval requirements, or, if we are not able to meet these requirements, such approvals could be withheld. For example, in 2012, we completed Study 201, a U.S.-based Phase IIb 12-person clinical trial for eteplirsen at 30 mg/kg and 50 mg/kg. Following completion of this study, we initiated Study 202, an ongoing open label extension study with the same participants from Study 201. These trials were initiated, in part, to further demonstrate efficacy and safety, including the production of dystrophin, and explore and identify a more consistently effective dose that may be more appropriate for future clinical trials. While Studies 201 and 202 demonstrated dystrophin production based on the measurements taken at weeks 24 and 48, respectively, and 6MWT results reported for weeks 62, 74, 84, 96 and 120 supported stabilization of disease progression, we cannot provide assurances that data from the ongoing open label extension study will continue to be positive or consistent through the study periods or that the interpretation by regulators, such as the FDA, of the data we collect for our product candidates, including for eteplirsen, will be consistent with our interpretations. For example, on July 10, 2014, we announced that the 6MWT results for week 144 in Study 202 showed a change in decline from 5%, which was observed prior to 144 weeks, to approximately 8.5%. Additionally, on January 12, 2015, we announced results for week 168 in Study 202, which showed continued ambulation across all patients evaluable on the test, however, patients showed a decline in distance walked on this measure since the week 144 time point. Further, on October 1, 2015 we announced additional clinical efficacy and safety data that demonstrated that (i) eteplirsen provided a statistically significant advantage of 151 meters in the ability of study participants to walk at three years versus an untreated external DMD control, (ii) eteplirsen-treated patients (n=12) experienced a slower rate of decline through week 192 versus untreated external DMD controls and (iii) the eteplirsen safety profile remained consistent with prior results. In January 2016, the FDA made public our eteplirsen Briefing Document Addendum (the January 2016 Addendum), which disclosed that at four years, 10 out of 12 patients treated with eteplirsen remained ambulatory while 10 out of 13 untreated patients in the external control had lost ambulation (one patient in the external control was still ambulatory at year four, while two patients in the external control were missing data at four years), a statistically significant difference. In addition, the January 2016 Addendum disclosed a statistically significant advantage of 162 meters in the ability of study participants to walk (as measured by the 6MWT) at four years.

If we do not obtain the required approvals to initiate the confirmatory trial for eteplirsen using our exon 45- and 53-skipping product candidates, the data from the confirmatory studies for eteplirsen do not produce the safety and efficacy data required by the FDA for obtaining or maintaining marketing approval, or the FDA does not accept the results of our eteplirsen confirmatory studies as supporting evidence of efficacy, we may need to continue working with the FDA on the design and subsequent execution of any further studies or analysis we plan to conduct or that may be required to obtain and maintain approval of eteplirsen or our other DMD product candidates. Any significant

delays or negative developments in the confirmatory studies for eteplirsen could delay or otherwise negatively impact our development plans for our follow-on DMD product candidates,

including potentially resulting in terminations of such programs. For example, in October 2014, we received meeting minutes from a Type B pre-NDA meeting that took place in September 2014 in which the FDA provided updated guidance regarding the information to be provided as part of, or at the time of, our NDA submission for eteplirsen. The guidance stated that the FDA was requiring additional data as part of the NDA submission, including the results from an independent assessment of dystrophin images, the 168 week clinical data from Study 202, and additional safety data from new patients exposed to eteplirsen, specifying the minimum number of patients and minimum duration of exposure. Additionally, the guidance also required patient-level natural history data to be obtained by us from independent academic institutions and requested MRI data from a recent study conducted by an independent group. Although we have provided data and information responsive to the FDA s requests and continue to work to provide the FDA, our additional data and information may not support or result in the approval of our eteplirsen NDA submission.

We currently rely on third parties in the manufacturing process to produce our product candidates and our dependence on these parties, including any inability on our part to accurately anticipate product demand and timely secure manufacturing capacity to meet actual clinical or commercial product demand may impair the advancement of our research and development programs and potential commercialization of our product candidates.

We currently do not have the internal ability to undertake the manufacturing process for our product candidates in the quantities needed to conduct our research and development programs, supply clinical trials or meet commercial demand. Therefore, we rely on and expect to continue relying on for the foreseeable future, a limited number of third parties to manufacture and supply materials (including raw materials and subunits), drug substance (API) and drug product, as well as to perform additional steps in the manufacturing process, such as the filling and labeling of vials and storage of our product candidates. There are a limited number of third parties with facilities and capabilities suited for the manufacturing process of our product candidates which creates a heightened risk that we may not be able to obtain materials and APIs in the quantity and purity that we require. Any interruption of the development or operation of those facilities due to, among other reasons, events such as order delays for equipment or materials, equipment malfunction, quality control and quality assurance issues, regulatory delays and possible negative effects of such delays on supply chains and expected timelines for product availability, production yield issues, shortages of qualified personnel, discontinuation of a facility or business or failure or damage to a facility by natural disasters, could result in the cancellation of shipments, loss of product in the manufacturing process or a shortfall in available product candidates or materials.

If these third parties were to cease providing quality manufacturing and related services to us, and we are not able to engage appropriate replacements in a timely manner, our ability to have our product candidates manufactured in sufficient quality and quantity required for planned preclinical testing, clinical trials and potential commercial use would be adversely affected.

Sarepta, through its third party manufacturers, has produced or is in the process of producing clinical and commercial supply, including for eteplirsen, based on its current understanding of market demands and planned clinical studies. In light of the limited number of third parties with the expertise to produce our product candidates, the lead time needed to manufacture them, and the availability of underlying materials, we may not be able to, in a timely manner or at all, establish or maintain sufficient commercial manufacturing arrangements on the commercially reasonable terms necessary to provide adequate supply of our product candidates to meet demands that exceed our clinical or commercial assumptions. Further, we may not be able to obtain the significant financial capital that may be required in connection with such arrangements. Even after successfully engaging third parties to execute the manufacturing process for our product candidates, such parties may not comply with the terms and timelines they have agreed to for various reasons, some of which may be out of their or our control, which could impact our ability to execute our

business plans on expected or required timelines in connection with the regulatory approval process and potential commercialization. We may also be required to enter into long-term manufacturing agreements that contain exclusivity provisions and/or substantial termination penalties which could have a material adverse effect on our business prior to and after commercialization of any of our product candidates.

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The third parties we use in the manufacturing process for our product candidates may fail to comply with cGMP regulations.

Our contract manufacturers are required to produce our materials, APIs and drug products under current Good Manufacturing Practice regulations (cGMP). We and our contract manufacturers are subject to periodic unannounced inspections by the FDA and corresponding state and foreign authorities to ensure strict compliance with cGMP and other applicable government regulations and corresponding foreign requirements. We do not have control over a third-party manufacturer s compliance with these regulations and requirements. In addition, changes in cGMP could negatively impact the ability of our contract manufacturers to complete the manufacturing process of our product candidates in a compliant manner on the schedule we require for clinical trials or for potential commercial use. The failure to achieve and maintain high quality compliance, including failure to detect or control anticipated or unanticipated manufacturing errors, could result in patient injury or death or product recalls. Any difficulties or delays in our contractors manufacturing and supply of product candidates, or any failure of our contractors to maintain compliance with the applicable regulations and requirements could increase our costs, make us postpone or cancel clinical trials, prevent or delay regulatory approvals by the FDA and corresponding state and foreign authorities, prevent the import and/or export of our products, cause us to lose revenue, result in the termination of the development of a product candidate, or have our product candidates recalled or withdrawn from use.

We may not be able to successfully scale up manufacturing of our product candidates in sufficient quality and quantity or within sufficient timelines, or be able to secure ownership of intellectual property rights developed in this process, which could delay or prevent us from developing or commercializing our product candidates.

As we prepare for larger and later stage clinical trials for our product candidates and the potential commercialization of eteplirsen, we are working to increase future manufacturing capacity and scale up production of some of the components of our drug products. During 2016, our focus remains on (i) achieving larger-scale manufacturing capacity for eteplirsen throughout the manufacturing supply chain and (ii) continuing to increase material and API production capacity to provide the anticipated amounts of drug product needed for our planned studies for our product candidates. We may not be able to successfully increase manufacturing capacity or scale up the production of materials, APIs and drug products, whether in collaboration with third-party manufacturers or on our own, in a manner that is safe, compliant with cGMP conditions or other applicable legal or regulatory requirements or is cost-effective, or in a time frame required to meet our timelines for clinical trials, potential commercialization and other business plans, or at all. cGMP and other quality issues may arise during our efforts to increase manufacturing capacity and scale up production with our current or any new contract manufacturers. These issues may arise in connection with the underlying materials, the inherent properties of a product candidate itself or the product candidate in combination with other components added during the manufacturing and packaging process or during shipping and storage of the APIs or finished drug product. In addition, in order to release product and demonstrate stability of product candidates for use in late stage clinical trials (and any subsequent drug products for commercial use), our analytical methods must be validated in accordance with regulatory guidelines. We may not be able to successfully validate, or maintain validation of, our analytical methods or demonstrate adequate purity, stability or comparability of the product candidates in a timely or cost-effective manner, or at all. If we are unable to successfully validate our analytical methods or to demonstrate adequate purity, stability or comparability, the development of our product candidates and regulatory approval or commercial launch for any resulting drug products may be delayed, which could significantly harm our business.

During work with our third-party manufacturers to increase manufacturing capacity and scale up production, it is possible that they could make improvements in the manufacturing and scale-up processes for our product candidates. We may not own or be able to secure ownership of such improvements or may have to share the intellectual property rights to those improvements. Additionally, it is possible that we will need additional processes, technologies and

validation studies, which could be costly and which we may not be able to develop or acquire from third parties. Any failure to secure the intellectual rights required for the manufacturing process

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needed for large-scale clinical trials or commercialization of our product candidates could cause significant delays in our business plans or prevent commercialization of our product candidates.

We are winding down our expired U.S. government contract, and further development of our Ebola and Marburg product candidates may be limited by our ability to obtain additional funding for these programs and by the intellectual property and other rights retained by the U.S. government.

We have historically relied on U.S. government contracts and awards to fund and support certain development programs, including our Ebola and Marburg programs. The July 2010 DoD contract providing funds for our Marburg program expired in July 2014, and the Ebola portion of the contract was previously terminated by the DoD in 2012 for convenience of the DoD. We are currently involved in contract wind-down activities and may be subject to additional government audits prior to collecting final cost reimbursements and fees owed by the government. If we are not able to complete such audits or other government requirements successfully, then the government may withhold some or all of the currently outstanding amounts owed to us. We may explore and evaluate options to continue advancing the development of our Ebola and Marburg product candidates, which may or may not include funding through U.S. government programs. As a result of government budgetary cuts, appropriations and sequestration, among other reasons, the viability of the government and its agencies as a partner for further development of our Ebola and Marburg programs, or other programs, is uncertain. The options for us to further develop product candidates that were previously developed under contracts with the U.S. government with third parties may be limited or difficult in certain respects given that, after termination or expiration of a U.S. government contract, the government has broad license rights in intellectual property developed under such contract. Therefore, the U.S. government may have the right to develop all or some parts of product candidates we have developed under a U.S. government contract after such contract has terminated or expired.

We may not be able to successfully conduct clinical trials due to various process-related factors which could negatively impact our business plans.

The successful start and completion of any of our clinical trials within time frames consistent with our business plans is dependent on regulatory authorities and various factors, which include, but are not limited to, our ability to:

- recruit and retain employees, consultants or contractors with the required level of expertise;
- recruit and retain sufficient patients needed to conduct a clinical trial:
  - participant enrollment and retention is a function of many factors, including the size of the relevant population, the proximity of participants to clinical sites, activities of patient advocacy groups, the eligibility criteria for the trial, the existence of competing clinical trials, the availability of alternative or new treatments, side effects from the therapy, lack of efficacy, personal issues and ease of participation;
- timely and effectively contract with (under reasonable terms), manage and work with investigators, institutions, hospitals and the contract research organizations (CROs) involved in the clinical trial;

negotiate contracts and other related documents with clinical trial parties and IRBs, such as informed consents, CRO agreements and site agreements, which can be subject to extensive negotiations that could cause significant delays in the clinical trial process. In addition, terms may vary significantly among different trial sites and CROs and may subject the Company to various risks;

ensure adherence to trial designs and protocols agreed upon and approved by regulatory authorities and applicable legal and regulatory guidelines;

manage or resolve unforeseen adverse side effects during a clinical trial;

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conduct the clinical trials in a cost effective manner, including managing foreign currency risk in clinical trials conducted in foreign jurisdictions and cost increases due to unforeseen or unexpected complications such as enrollment delays, or needing to outsource certain Company functions during the clinical trial; and

execute clinical trial designs and protocols approved by regulatory authorities without deficiencies.

If we are not able to manage the clinical trial process successfully, our business plans could be delayed or be rendered unfeasible for us to execute within our planned or required time frames, or at all.

We have incurred operating losses since our inception and we may not achieve or sustain profitability.

We incurred an operating loss of $59.7 million for the three months ended March 31, 2016. Our accumulated deficit was $958.8 million as of March 31, 2016. Substantially all of our revenue to date has been derived from research and development contracts with the DoD, the last of which expired in July 2014. We have not yet generated any revenue from product sales and have generally incurred expenses related to research and development of our technology and product candidates, from general and administrative expenses that we have incurred while building our business infrastructure. We anticipate that our expenses will increase substantially if and as we:

continue our research, pre-clinical and clinical development of our product candidates;

respond to and satisfy requests and requirements from regulatory authorities in connection with development and potential approval of our product candidates;

initiate additional clinical trials for our product candidates;

seek marketing approvals for our product candidates that successfully complete clinical trials;

acquire or in-license other product candidates;

establish a sales, marketing and distribution infrastructure to commercialize any products for which we may obtain marketing approval;

maintain, expand and protect our intellectual property portfolio;

increase manufacturing capabilities including capital expenditures related to our real estate facilities and entering into manufacturing agreements;

hire additional clinical, quality control and scientific personnel; and

add operational, financial and management information systems and personnel, including personnel to support our product development and planned future commercialization efforts.

Our ability to achieve and maintain profitability depends on various factors including our ability to raise and appropriately manage additional capital, partner with third parties for one or more of our programs, complete development of our product candidates, obtain regulatory approvals and market our approved products, if any. It is uncertain when, if ever, we will become profitable and if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis. Our failure to become and remain profitable would decrease the value of the Company and could impair our ability to raise capital, maintain our research and development efforts, expand our business or continue our operations.

We will need additional funds to conduct our planned research, development and manufacturing efforts. If we fail to attract and manage significant capital on acceptable terms or fail to enter into strategic relationships, we may be unable to continue to develop our product candidates.

We will likely require additional capital from time to time in the future in order to continue the development of product candidates in our pipeline and to expand our product portfolio. The actual amount of funds that we

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may need and the sufficiency of the capital we have or are able to raise will be determined by many factors, some of which are in our control and others that are beyond our control. The Company and the board of directors continue to assess optimization in the size and structure of the Company as well as in its strategic plans. For example, in March 2016, we announced a long-term plan to consolidate facilities within Massachusetts and closing our Corvallis, Oregon offices by end of year. Any failure on our part to strategically and successfully manage the funds we raise, with respect to factors within our control, could impact our ability to continue developing our product candidates. Some of the factors partially or entirely outside of our control that could impact our ability to raise funds as well as the sufficiency of funds the Company has to execute its business plans successfully include the success of our research and development efforts, the status of our pre-clinical and clinical testing, costs and timing relating to securing regulatory approvals and obtaining patent rights, regulatory changes, competitive and technological developments in the market, regulatory decisions, and any commercialization expenses related to any product sales, marketing, manufacturing and distribution. An unforeseen change in these factors, or others, might increase our need for additional capital.

We would expect to seek additional financing from the sale and issuance of equity or equity-linked or debt securities, and we cannot predict that financing will be available when and as we need financing or that, if available, the financing terms will be commercially reasonable. In addition, if the FDA delays or ultimately denies approval of our eteplirsen NDA, raising additional funds may be difficult. If we are unable to obtain additional financing when and if we require it or on commercially reasonable terms, this would have a material adverse effect on our business and results of operations.

If we are able to consummate such financings, the trading price of our common stock could be adversely affected and/or the terms of such financings may adversely affect the interests of our existing stockholders. To the extent we issue additional equity securities or convertible securities, our existing stockholders could experience substantial dilution in their economic and voting rights. For example, on October 9, 2015, we sold 3,250,000 shares of our common stock in an underwritten public offering at a price to the public of $39.00 per share. Additional financing, if available, may involve agreements that include covenants limiting or restricting our ability to take specific actions, such as incurring additional debt, making capital expenditures or declaring dividends.

Further, we may also enter into relationships with pharmaceutical or biotechnology companies to perform research and development with respect to our technologies, research programs, conduct clinical trials or market our product candidates. Other than pre-clinical collaborations with academic or research institutions and government entities for the development of additional exon-skipping product candidates for the treatment of DMD and clinical collaboration for a product candidate for the treatment of influenza, we currently do not have a strategic relationship with a third party to perform research or development using our technologies or assist us in funding the continued development and commercialization of any of our programs or product candidates. If we were to have such a strategic relationship, such third party may require us to issue equity to such third party, relinquish valuable rights to our technologies, future revenue streams, research programs or product candidates, or to grant licenses on terms that may not be favorable to us.

Our indebtedness resulting from our credit and security agreement with MidCap Financial could adversely affect our financial condition or restrict our future operations.

On June 26, 2015, the Company entered into a credit and security agreement with MidCap Financial that provides a senior secured term loan of $20.0 million, which may be increased by an additional $20.0 million upon the acceptance by the FDA of the NDA for eteplirsen. This indebtedness could have important consequences, including:

requiring the Company to maintain pledged cash in favor of MidCap Financial equal to not less than the lesser of the outstanding term loans or (a) $15.0 million prior to the increase in the term loan by an additional $20.0 million and (b) $30.0 million thereafter;

limiting our flexibility in planning for, or reacting to, changes in our business and our industry;

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placing us at a competitive disadvantage compared to our competitors who have less debt or competitors with comparable debt at more favorable interest rates;

limiting our ability to borrow additional amounts for working capital, capital expenditures, research and development efforts, acquisitions, debt service requirements, execution of our business strategy and other purposes; and

resulting in an acceleration of the maturity of such term loans upon the occurrence of a material adverse change or another default under the credit and security agreement.

Any of these factors could materially and adversely affect our business, financial condition and results of operations. While we do not believe that the failure of the FDA to approve eteplirsen in the near future would constitute a material adverse change as defined in the credit and security agreement, it is possible that MidCap Financial could take a different position that such a result constitutes a material adverse change. If MidCap were to prevail on this position and declare an event of default, MidCap Financial would have the right to increase the existing interest rate by an incremental three percent per annum and to accelerate the maturity of all principal and accrued interest under the credit and security agreement unless the event of default is waived by MidCap Financial. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service our indebtedness would increase.

The estimates and judgments we make, or the assumptions on which we rely, in preparing our consolidated financial statements could prove inaccurate.

Our consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of our assets, liabilities, revenues and expenses, the amounts of charges accrued by us and related disclosure of contingent assets and liabilities. Such estimates and judgments include those related to revenue recognition, accrued expenses, assumptions in the valuation of stock-based compensation and accounting for and valuation of liability classified warrants. We base our estimates on historical experience, facts and circumstances known to us and on various other assumptions that we believe to be reasonable under the circumstances. We cannot provide assurances, however, that our estimates, or the assumptions underlying them, will not change over time or otherwise prove inaccurate. If this is the case, we may be required to restate our consolidated financial statements, which could, in turn, subject us to securities class action litigation. Defending against such potential litigation relating to a restatement of our consolidated financial statements would be expensive and would require significant attention and resources of our management. Moreover, our insurance to cover our obligations with respect to the ultimate resolution of any such litigation may be inadequate. As a result of these factors, any such potential litigation could have a material adverse effect on our financial results and cause our stock price to decline, which could in turn subject us to securities class action litigation.

Our ability to use net operating loss carryforwards and other tax attributes to offset future taxable income may be limited as a result of future transactions involving our common stock.

In general, under Section 382 of the Internal Revenue Code of 1986, as amended, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize its pre-change net operating losses and certain other tax assets to offset future taxable income. In general, an ownership change occurs if the aggregate stock ownership of certain stockholders increases by more than 50 percentage points over such stockholders lowest percentage ownership during the testing period, which is generally three years. An ownership change could limit our ability to utilize our net operating loss and tax credit carryforwards for taxable years including or following such ownership change.

Limitations imposed on the ability to use net operating losses and tax credits to offset future taxable income could require us to pay U.S. federal income taxes earlier than we estimated or than would have otherwise been required if such limitations were not in effect and could

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cause such net operating losses and tax credits to expire unused, in each case reducing or eliminating the benefit of such net operating losses and tax credits and potentially adversely affecting our financial position. Similar rules and limitations may apply for state income tax purposes.

We rely on third parties to provide services in connection with our pre-clinical and clinical development programs. The inadequate performance by or loss of any of these service providers could affect our product candidate development.

Several third parties provide services in connection with our pre-clinical and clinical development programs, including in vitro and in vivo studies, assay and reagent development, immunohistochemistry, toxicology, pharmacokinetics, clinical assessments, data monitoring and management, statistical analysis and other outsourced activities. If these service providers do not adequately perform the services for which we have contracted or cease to continue operations and we are not able to quickly find a replacement provider or we lose information or items associated with our product candidates, our development programs may be delayed.

If we fail to retain our key personnel or are unable to attract and retain additional qualified personnel, our future growth and our ability to compete would suffer.

We are highly dependent on the efforts and abilities of the principal members of our senior management. Additionally, we have scientific personnel with significant and unique expertise in RNA-targeted therapeutics and related technologies. The loss of the services of any one of the principal members of our managerial team or staff may prevent us from achieving our business objectives.

Our former CEO and President resigned on March 31, 2015 and we have appointed an interim CEO. No assurance can be made as to when we will hire a permanent CEO. The existing management team is actively managing the business in accordance with a business strategy approved by the board of directors.

The competition for qualified personnel in the biotechnology field is intense, and our future success depends upon our ability to attract, retain and motivate such personnel. In order to develop and commercialize our products successfully, we will be required to retain key management and scientific employees. In certain instances, we may also need to expand or replace our workforce and our management ranks. In addition, we rely on certain consultants and advisors, including scientific and clinical advisors, to assist us in the formulation and advancement of our research and development programs. Our consultants and advisors may be employed by other entities or have commitments under consulting or advisory contracts with third parties that limit their availability to us, or both. If we are unable to attract, assimilate or retain such key personnel, our ability to advance our programs would be adversely affected.

If we are unable to effectively manage our growth, execute our business strategy and implement compliance controls and systems, the trading price of our common stock could decline. Any failure to establish and maintain effective internal control over financial reporting could adversely affect investor confidence in our reported financial information.

We anticipate continued growth in our business operations due, in part, to advancing our product candidates. This future growth could create a strain on our organizational, administrative and operational infrastructure. Our ability to manage our growth properly and maintain compliance with all applicable rules and regulations will require us to continue to improve our operational, legal, financial and management controls, as well as our reporting systems and procedures. We may not be able to build the management and human resources and infrastructure necessary to support the growth of our business. The time and resources required to implement systems and infrastructure that may be needed to support our growth is uncertain, and failure to complete implementation in a timely and efficient manner

could adversely affect our operations.

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We may engage in future acquisitions or collaborations with other entities that increase our capital requirements, dilute our stockholders, cause us to incur debt or assume contingent liabilities and subject us to other risks.

We actively evaluate various strategic transactions on an ongoing basis, including licensing or acquiring complementary products, technologies or businesses. Potential acquisitions or collaborations with other entities may entail numerous risks, including increased operating expenses and cash requirements, assimilation of operations and products, retention of key employees, diversion of our management s attention and uncertainties in our ability to maintain key business relationships of the acquired entities. In addition, if we undertake acquisitions, we may issue dilutive securities, assume or incur debt obligations, incur large one-time expenses and acquire intangible assets that could result in significant future amortization expense.

Our success, competitive position and future revenue, if any, depend in part on our ability and the abilities of our licensors to obtain and maintain patent protection for our technologies and product candidates, to preserve our trade secrets, to prevent third parties from infringing on our proprietary rights and to operate without infringing on the proprietary rights of third parties.

We currently hold various issued patents and exclusive rights to issued patents and own and have licenses to various patent applications, in each case in the United States as well as other countries. We anticipate filing additional patent applications both in the United States and in other countries. The patent process, however, is subject to numerous risks and uncertainties, and we can provide no assurance that we will be successful in obtaining and defending patents or in avoiding infringement of the rights of others. Even when our patent claims are allowed, the claims may not issue, or in the event of issuance, may not be sufficient to protect the technology owned by or licensed to us or our collaborators. Even if our patents and patent applications do provide our product candidates and platform technology with a basis for exclusivity, we and our collaborators may not be able to develop or commercialize such product candidates or platform technology due to patent positions held by one or more third parties.

We may not be able to obtain and maintain patent protection for our product candidates necessary to prevent competitors from commercializing competing product candidates. Our patent rights might be challenged, invalidated, circumvented or otherwise not provide any competitive advantage, and we might not be successful in challenging the patent rights of our competitors through litigation or administrative proceedings. For example, in July 2014, the Patent Trial and Appeal Board (the PTAB) of the United States Patent and Trademark Office (USPTO) declared patent interferences between certain patents held by Sarepta (under license from the University of Western Australia, UWA) and patent applications held by BioMarin (under license from Academisch Ziekenhuis Leiden, AZL) related to exon 51 and exon 53 skipping therapies designed to treat DMD. In particular, the PTAB declared Interference No. 106,008, which identifies Sarepta s/UWA s U.S. Patent Nos. 7,807,816 and 7,960,541, both covering eteplirsen, as interfering with BioMarin s/AZL s U.S. Application No. 13/550,210. The PTAB also declared Interference No. 106,007, which identifies Sarepta s/UWA s U.S. Patent No. 8,455,636, covering SRP-4053, as interfering with BioMarin s/AZL s U.S. Application No. 11/233,495. In September 2014, the PTAB declared a third patent interference relating to certain methods concerning the exon 51 skipping therapies that are the subject of Interference No. 106,008. In particular, the PTAB declared Interference No. 106,013, which identifies Sarepta s/UWA s U.S. Patent No. 8,486,907, which covers certain methods of using eteplirsen, as interfering with BioMarin s/AZL s U.S. Application No. 14/198,992. In addition, in a September 2014 Order in Interference No. 106,007, the PTAB authorized us to file a motion with the PTAB, which we filed in November 2014, requesting the declaration of a fourth interference relating to certain methods concerning the exon 53 skipping therapies that are the subject of Interference No. 106,007, including SRP-4053, and between Sarepta s/UWA s U.S. Patent No. 8,455,636 and BioMarin s/AZL s U.S. Application No. 14/248,279. In Interference No. 106,013, we received notice on September 29, 2015 that the PTAB had issued a decision that resulted in a judgment against Sarepta and an order for the cancellation of Sarepta s/UWA s U.S. Patent No. 8,486,907 that covers certain methods of using eteplirsen thereby leaving open the possibility of BioMarin s/AZL s

competing U.S. Application No. 14/198,992

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to issue and, if so, potentially provide a basis for BioMarin to allege that our product candidate, eteplirsen, infringes a patent granting from this application. We filed a Request for Rehearing that requests the PTAB to continue this interference, and the PTAB denied our Request on December 29, 2015. We appealed this decision to the U.S. Court of Appeals for the Federal Circuit on March 28, 2016, and this appeal was docketed as Case No. 16-1937. In Interference No. 106,007, the PTAB entered a judgment on the motions on April 29, 2016 to end this interference between U.S. Patent No. 8,455,636 held by Sarepta (under license from UWA) and U.S. Application No. 11/233,495 held by BioMarin (under license from AZL) related to exon 53 skipping therapies, including SRP-4053, designed to treat DMD. The PTAB ordered: (i) the final refusal of all claims of BioMarin s/AZL s U.S. Application No. 11/233,495, with the exception of claim 77; and (ii) cancellation of all claims in Sarepta s/UWA s U.S. Patent No. 8,455,636, in each case based on its decision of various motions. The PTAB denied our motion filed in November 2014 requesting the declaration of a fourth interference relating to certain methods concerning the exon 53 skipping therapies that are the subject of this Interference No. 106,007, including SRP-4053, and between Sarepta s U.S. Patent No. 8,455,636 and BioMarin s U.S. Application No. 14/248,279, thereby leaving open the possibility of BioMarin s/AZL s competing U.S. Application No. 14/198,992 to issue and, if so, potentially provide a basis for BioMarin to allege that our product candidate, SRP-4053, infringes a patent granting from this application. This judgment of the PTAB is subject to appeal. We cannot make any assurances about the outcome of the remaining proceeding (Interference No. 106,008) or appeals of any of these three interferences. Any additional adverse rulings, which, in the case of Interference No. 106,008 concerning eteplirsen could come at any time and, if negative, could adversely affect our business and result in a decline in our stock price. If final resolution of the interferences and related appeals are not in our favor, then the Sarepta/UWA patents involved in these interferences, any other Sarepta/UWA patents or applications also found to be interfering, and any other Sarepta/UWA patents or applications may be invalidated or subject to invalidation, and as a result, we may not have any patent-based exclusivity available for our product candidates, which may have a material negative impact on our business plans. In addition, if final resolution of the interferences or related appeals are not in our favor, the USPTO may issue the BioMarin/AZL patent applications resulting in the grant of one or more patents that may provide a basis for BioMarin to allege that our product candidates, eteplirsen and/or SRP-4053, infringe such patents. In addition, these interferences, appeals and any subsequent litigation may require significant financial resources that we may have planned to spend on other Company objectives, resulting in delays or other negative impacts on such other objectives. In addition, BioMarin may continue to evaluate other opportunities to challenge our intellectual property rights or seek to broaden their patent positions in an attempt to cover our product candidates in the United States and in other jurisdictions. We are also aware of certain pending and granted claims that are held by BioMarin in Japan, Europe and certain other countries that may provide the basis for BioMarin or other parties to assert that eteplirsen infringes on such claims. Because we have not yet initiated an invalidation proceeding in these countries, the outcome and timing of any such proceeding cannot be predicted or determined as of the date of this report.

As a matter of public policy, there might be significant pressure on governmental bodies to limit the scope of patent protection or impose compulsory licenses for disease treatments that prove successful. Additionally, jurisdictions other than the United States might have less restrictive patent laws than the United States, giving foreign competitors the ability to exploit these laws to create, develop and market competing products. The USPTO and patent offices in other jurisdictions have often required that patent applications concerning pharmaceutical and/or biotechnology-related inventions be limited or narrowed substantially to cover only the specific innovations exemplified in the patent application, thereby limiting the scope of protection against competitive challenges. Accordingly, even if we or our licensors are able to obtain patents, the patents might be substantially narrower than anticipated.

On September 16, 2011, the Leahy-Smith America Invents Act, or the Leahy-Smith Act, was signed into law. The Leahy-Smith Act includes a number of significant changes to U.S. patent law, including provisions that affect the way patent applications will be prosecuted, and may also affect patent litigation. The USPTO has issued regulations and

procedures to govern administration of the Leahy-Smith Act, but many of the substantive changes to patent law associated with the Leahy-Smith Act have only recently become effective. Accordingly, it

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is not clear what, if any, impact the Leahy-Smith Act will have on the operation of our business. However, the Leahy-Smith Act and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition. For instance, a third party may petition the PTAB seeking to challenge the validity of some or all of the claims in any of our patents through an *Inter Partes Review* (IPR) or other post-grant proceeding. Should the PTAB institute an IPR (or other) proceeding and decide that some or all of the claims in the challenged patent are invalid, such a decision, if upheld on appeal, could have a material adverse effect on our business and financial condition.

The full impact of several recent U.S. Supreme Court decisions relating to patent law is not yet known. For example, on March 20, 2012, in *Mayo Collaborative Services, DBA Mayo Medical Laboratories, et al. v. Prometheus Laboratories, Inc*., the Court held that several claims drawn to measuring drug metabolite levels from patient samples and correlating them to drug doses were not patentable subject matter. The decision appears to impact diagnostics patents that merely apply a law of nature via a series of routine steps and it has created uncertainty around the ability to patent certain biomarker-related method claims. Additionally, on June 13, 2013, in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, the Court held that claims to isolated genomic DNA are not patentable, but claims to complementary DNA molecules were held to be valid. The effect of the decision on patents for other isolated natural products is uncertain and, as with the Leahy-Smith Act, these decisions could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have a material adverse effect on our business and financial condition.

Our business prospects will be impaired if third parties successfully assert that our product candidates or technologies infringe proprietary rights of such third parties.

Our competitors may make significant investments in competing technologies, and might have or obtain patents that limit, interfere with or eliminate our ability to make, use and sell our product candidates in important commercial markets.

If our product candidates or technologies infringe enforceable proprietary rights of others, we could incur substantial costs and may have to:

- obtain rights or licenses from others, which might not be available on commercially reasonable terms or at all;
- abandon development of an infringing product candidate;
- redesign product candidates or processes to avoid infringement;
- pay damages; and/or
- defend litigation or administrative proceedings which might be costly whether we win or lose, and which could result in a substantial diversion of financial and management resources.

Any of these events could substantially harm our potential earnings, financial condition and operations. BioMarin has rights to patent claims that, absent a license, may preclude us from commercializing eteplirsen in several jurisdictions. BioMarin has rights to European Patent No. EP 1619249, for example. We opposed this patent in the Opposition Division of the European Patent Office (EPO), and the Opposition Division maintained certain claims of this patent relating to the treatment of DMD by skipping dystrophin exons 51 and 46, which may provide a basis to maintain that commercialization of eteplirsen in a European country where BioMarin has a patent corresponding to EP 1619249 would infringe on such patent. Both we and BioMarin have appealed the Opposition Division decision, submitted briefs in support of our respective positions and have also submitted responses to each other s briefs. BioMarin filed arguments with the EPO in response to Sarepta s previously filed briefs. The Opposition Division decision, if maintained at the appeals level, could have a

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substantial negative effect on our business and leaves open the possibility that BioMarin or other parties that have rights to such patent could assert that our product candidate, eteplirsen, infringes on such patent in a relevant European country. The timing and outcome of the appeal cannot be predicted or determined as of the date of this report. If as part of any appeal before the EPO we are unsuccessful in invalidating BioMarin s claims that were maintained by the Opposition Division or if claims previously invalidated by the Opposition Division are restored on appeal, our ability to commercialize both eteplirsen and other therapeutic candidates could be materially impaired. Moreover, our ability to commercialize eteplirsen in a European country where BioMarin has a patent related to EP 1619249 while the appeal process remains ongoing before the EPO Board of Appeals could be materially impaired. In addition, we are aware of various divisional applications relating to EP 1619249 that are being pursued by BioMarin, which are pending and in some cases are granted. Any of these granted patents can also materially impair our ability to commercialize eteplirsen or our other therapeutic candidates, such as SRP-4045 and SRP-4053.

We are also aware of existing patent claims BioMarin is pursuing in the United States, including those involved in the interferences declared by the USPTO in July 2014 and September 2014 and discussed in these risk factors, and others that it has or is pursuing in other countries, that where granted may provide the basis for BioMarin or other parties to assert that commercialization of eteplirsen and certain other of our product candidates would infringe on such claims. Some of these existing patent claims have granted and may provide a basis for BioMarin to allege that our product candidate, eteplirsen, infringes such granted claims. These patent claims may materially impair our ability to commercialize eteplirsen.

The DMD patent landscape is continually evolving and multiple parties, including both commercial entities and academic institutions, may have rights to claims or may be pursuing additional claims that could provide these parties a basis to assert that our product candidates infringe on the intellectual property rights of such parties. Similarly, we may be able to assert that certain activities engaged in by these parties infringe on our current or future patent rights. There has been, and we believe that there will continue to be, significant litigation in the biopharmaceutical and pharmaceutical industries regarding patent and other intellectual property rights. We also cannot be certain that other third parties will not assert patent infringement in the future with respect to any of our development programs.

We face intense competition and rapid technological change, which may result in other companies discovering, developing or commercializing competitive products.

The biotechnology and pharmaceutical industries are highly competitive and subject to significant and rapid technological change. We are aware of many pharmaceutical and biotechnology companies that are actively engaged in research and development in areas related to antisense technology and other RNA technologies, or that are developing alternative approaches to or therapeutics for the disease indications on which we are focused. Some of these competitors are developing or testing product candidates that now, or may in the future, compete directly with our product candidates. For example, we believe that companies including Alnylam Pharmaceuticals, Inc., Ionis Pharmaceuticals, Inc. (formerly Isis Pharmaceuticals, Inc.), Roche Innovation Center Copenhagen (formerly Santaris Pharma A/S) and Nippon Shinyaku Co. Ltd. share a focus on RNA-targeted drug discovery and development. Competitors with respect to our exon-skipping DMD program, or eteplirsen, include BioMarin (which acquired Prosensa), Nippon Shinyaku, Daiichi Sankyo and Shire plc; and other companies such as PTC Therapeutics and Summit plc have also been working on DMD programs. Additionally, several companies have entered into collaborations or other agreements for the development of product candidates, including mRNA, gene (CRIPSR and AAV, among others) and small molecule therapies that are potential competitors for therapies being developed in the muscular dystrophy, neuromuscular and rare disease space, including, but not limited to, Pfizer, Inc., Bristol-Myers Squibb, Biogen Idec, Inc., Ionis Pharmaceuticals, Inc., Alexion Pharmaceuticals, Inc., Sanofi, Eli Lilly, Alnylam, Moderna Therapeutics, Inc., Summit plc, Akashi, Catabasis, and Oxford University. Although BioMarin received a complete response letter for Kyndrisa (drisapersen) for the treatment of DMD amenable to exon 51 skipping on

January 14, 2016, BioMarin continues to be a competitor for us on the development of DMD exon-skipping product candidates.

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On May 31, 2016, BioMarin announced the withdrawal of its market Authorization Application for Kyndrisa (drisapersen) in Europe and its intent to discontinue clinical and regulatory development of Kyndrisa and three other follow-on products, BMN 044, BMN 045 and BMN 053. If BioMarin or any of our competitors are successful in obtaining regulatory approval for any of their product candidates, it may limit our ability to gain or keep market share in the DMD space or other diseases targeted by our exon-skipping platform and product candidate pipeline.

It is possible that our competitors will succeed in developing technologies that limit the market size for our product candidates, impact the regulatory approval process for our product candidates that are more effective than our product candidates or that would render our technology obsolete or noncompetitive. Our competitors, including BioMarin, may, among other things:

develop safer or more effective products;

implement more effective approaches to sales and marketing;

develop less costly products;

obtain regulatory approval more quickly;

have access to more manufacturing capacity;

develop products that are more convenient and easier to administer;

form more advantageous strategic alliances; or

establish superior intellectual property positions.

We may be subject to product liability claims and our insurance may not be adequate to cover damages.

We currently have no products that have been approved for commercial sale; however, the current and future use of our product candidates by us and our collaborators in clinical trials, expanded access programs, the sale of any products in the future, or the use of our products under emergency use vehicles may expose us to liability claims inherent to the manufacture, clinical testing, marketing and sale of medical products. These claims might be made directly by consumers or healthcare providers or indirectly by pharmaceutical companies, our collaborators or others selling such products. Regardless of merit or eventual outcome, we may experience financial losses in the future due to such product liability claims. We have obtained limited general commercial liability insurance coverage for our clinical trials. We intend to expand our insurance coverage to include the sale of commercial products if we obtain marketing approval for any of our product candidates. However, we may not be able to maintain insurance coverage at a reasonable cost or in sufficient amounts to protect us against all losses. If a successful product liability claim or series of claims is brought against us for uninsured liabilities or in excess of insured liabilities, our assets may not be

sufficient to cover such claims and our business operations could be impaired.

Our operations involve the use of hazardous materials, and we must comply with environmental laws, which can be expensive, and may affect our business and operating results.

Our research and development activities involve the use of hazardous materials, including organic and inorganic solvents and reagents. Accordingly, we are subject to federal, state and local laws and regulations governing the use, storage, handling, manufacturing, exposure to and disposal of these hazardous materials. In addition, we are subject to environmental, health and workplace safety laws and regulations, including those governing laboratory procedures, exposure to blood-borne pathogens and the handling of bio-hazardous materials. Although we believe that our activities conform in all material respects with such environmental laws, there can be no assurance that violations of these laws will not occur in the future as a result of human error, accident, equipment failure or other causes. Liability under environmental, health and safety laws can be joint and several and without regard to fault or negligence. The failure to comply with past, present or future laws could result in the imposition of substantial fines and penalties, remediation costs, property damage and personal

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injury claims, loss of permits or a cessation of operations, and any of these events could harm our business and financial condition. We expect that our operations will be affected by other new environmental, health and workplace safety laws on an ongoing basis, and although we cannot predict the ultimate impact of any such new laws, they may impose greater compliance costs or result in increased risks or penalties, which could harm our business.

We rely significantly on information technology and any failure, inadequacy, interruption or security lapse of that technology, including any cyber security incidents, could harm our ability to operate our business effectively.

Despite the implementation of security measures, our internal computer systems and those of third parties with which we contract are vulnerable to damage from cyber-attacks, computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. System failures, accidents or security breaches could cause interruptions in our operations, and could result in a material disruption of our clinical activities and business operations, in addition to possibly requiring substantial expenditures of resources to remedy. The loss of clinical trial data could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur a liability and our research and development programs and the development of our product candidates could be delayed.

We may incur substantial costs in connection with litigation and other disputes.

In the ordinary course of business we may, and in some cases have, become involved in lawsuits and other disputes such as securities claims, intellectual property challenges, including interferences declared by the USPTO, and employee matters. It is possible that we may not prevail in claims made against us in such disputes even after expending significant amounts of money and company resources in defending our positions in such lawsuits and disputes. The outcome of such lawsuits and disputes is inherently uncertain and may have a negative impact on our business, financial condition and results of operations.

Risks Related to Our Common Stock

Our stock price is volatile and may fluctuate due to factors beyond our control.

The market prices for and trading volumes of securities of biotechnology companies, including our securities, has historically been volatile. Our stock has had significant swings in trading prices, in particular in connection with our public communications regarding feedback received from regulatory authorities. For example, over the last twelve months, our stock has increased as much as 36% in a single day or decreased as much as 55% in a single day. We expect that our stock could have a material swing in its trading price in connection with the FDA s upcoming decision relating to our eteplirsen NDA. The market has from time to time experienced significant price and volume fluctuations unrelated to the operating performance of particular companies. The market price of our common stock may fluctuate significantly due to a variety of factors, including but not limited to:

- the timing of our submissions to regulatory authorities and regulatory decisions and developments including any decision by the FDA regarding our NDA for eteplirsen;

- positive or negative clinical trial results or regulatory interpretations of data collected in clinical trials conducted by us, our strategic partners, our competitors or other companies with investigational drugs

targeting the same, similar or related diseases to those targeted by our product candidates;

delays in beginning and completing pre-clinical and clinical studies for potential product candidates;

delays in entering or failing to enter into strategic relationships with respect to development and/or commercialization of our product candidates or entry into strategic relationships on terms that are not deemed to be favorable to our Company;

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technological innovations, product development or commercial product introductions by ourselves or competitors;

changes in applicable government regulations or regulatory requirements in the approval process;

developments concerning proprietary rights, including patents and patent litigation matters, such as developments in the interferences declared by the USPTO, including in the near term any outcomes of ongoing interference proceedings and over the longer term the outcomes from any related appeals;

public concern relating to the commercial value, efficacy or safety of any of our products;

our ability to obtain funds, through the issuance of equity or equity linked securities or incurrence of debt, or other corporate transactions;

comments by securities analysts;

developments in litigation such as the stockholder lawsuits against us;

changes in senior management such as the resignation of our former CEO and appointment of an interim CEO in 2015; or

general market conditions in our industry or in the economy as a whole.

Broad market and industry factors may seriously affect the market price of a company s stock, including ours, regardless of actual operating performance. In addition, in the past, following periods of volatility in the overall market and the market price of a particular company s securities, securities class action litigation has often been instituted against these companies. Such litigation could result in substantial costs and a diversion of our management s attention and resources.

Provisions of our certificate of incorporation, bylaws and Delaware law might deter acquisition bids for us that might be considered favorable and prevent or frustrate any attempt to replace or remove the then-current management and board of directors.

Certain provisions of our certificate of incorporation and bylaws may make it more difficult for a third party to acquire control of us or effect a change in our board of directors and management. These provisions include:

when the board is comprised of six or more directors, classification of our board of directors into two classes, with one class elected each year;

directors may only be removed for cause by the affirmative vote of a majority of the voting power of all the then-outstanding shares of voting stock;

prohibition of cumulative voting of shares in the election of directors;

right of the board of directors to elect directors to fill a vacancy created by the expansion of the board of directors or the resignation, death, disqualification or removal of a director;

express authorization of the board of directors to make, alter or repeal our bylaws;

prohibition on stockholder action by written consent;

advance notice requirements for nominations for election to our board or for proposing matters that can be acted upon by stockholders at stockholder meetings;

the ability of our board of directors to authorize the issuance of undesignated preferred stock, the terms and rights of which may be established and shares of which may be issued without stockholder approval, including rights superior to the rights of the holders of common stock; and

a super-majority (66 2/3%) of the voting power of all of the then-outstanding shares of capital stock are required to amend, rescind, alter or repeal our bylaws and certain provisions of our certificate of incorporation.

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In addition, we are governed by the provisions of Section 203 of the Delaware General Corporation Law, which may prohibit certain business combinations with stockholders owning 15% or more of our outstanding voting stock. These and other provisions in our certificate of incorporation and our bylaws and in the Delaware General Corporation Law could make it more difficult for stockholders or potential acquirers to obtain control of our board of directors or initiate actions that are opposed by the then-current board of directors.

We expect our operating results to fluctuate in future periods, which may adversely affect our stock price.

Our quarterly operating results have fluctuated in the past, and we believe they will continue to do so in the future. Our operating results may fluctuate due to the variable nature of our revenue and research and development expenses. Likewise, our research and development expenses may experience fluctuations as a result of the timing and magnitude of expenditures incurred in support of our DMD and other proprietary drug development programs. In one or more future periods, our results of operations may fall below the expectations of securities analysts and investors. In that event, the market price of our common stock could decline.

A significant number of shares of our common stock are issuable pursuant to outstanding stock awards, and we expect to issue additional stock awards and shares of common stock in the future. Exercise of these awards and sales of shares will dilute the interests of existing security holders and may depress the price of our common stock.

As of March 31, 2016, there were approximately 45.8 million shares of common stock outstanding and outstanding awards to purchase 7.9 million shares of common stock under various incentive stock plans. Additionally, as of March 31, 2016, there were 0.6 million shares of common stock available for future issuance under our Amended and Restated 2011 Equity Incentive Plan, less than 0.1 million shares of common stock available for issuance under our 2013 Employee Stock Purchase Plan and 1.0 million shares of common stock available for issuance under our 2014 Employment Commencement Incentive Plan. We may issue additional common stock and warrants from time to time to finance our operations. We may also issue additional shares to fund potential acquisitions or in connection with additional stock options or other equity awards granted to our employees, officers, directors and consultants under our Amended and Restated 2011 Equity Incentive Plan, our 2013 Employee Stock Purchase Plan or our 2014 Employment Commencement Incentive Plan. The issuance of additional shares of common stock or warrants to purchase common stock and the perception that such issuances may occur or exercise of outstanding warrants or options may have a dilutive impact on other stockholders and could have a material negative effect on the market price of our common stock.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the SEC filings that are incorporated by reference into this prospectus contain or incorporate by reference forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. You can generally identify these forward-looking statements by forward-looking words such as believe, anticipate, expect, intend, plan, will, may, estimate, could, continue, ongoing, predict, potent similar expressions, as well as variations or negatives of these words. You should read these statements carefully because they discuss future expectations, contain projections of future results of operations or financial condition, or state other forward-looking information. These statements relate to our future plans, objectives, expectations, intentions and financial performance and the assumptions that underlie these statements. These forward-looking statements include, but are not limited to:

- our expectations regarding the timing of research, development, pre-clinical and clinical trial results, data and analyses relating to the safety profile and potential clinical benefits of our product candidates, including eteplirsen, our PMO chemistries, our other PMO-based chemistries and our other RNA-targeted technologies;

- our expectations regarding the FDA interpretation of our data and information on our product candidates, PMO and PMO-based chemistries and RNA-targeted technologies and the impact on our business of the FDA s interpretations on our FDA submissions (including our investigational new drug applications (INDs) and NDAs), filing decisions by the FDA, potential advisory committee meeting dates and advisory committee recommendations, and FDA product approval decisions and related timelines;

- the timing of and our ability to respond to FDA requests during the regulatory process for each of our product candidates, including eteplirsen, such as the FDA s request for additional dystrophin data and our plans to provide this date in the coming weeks;

- the timing of the FDA s pending decision on our eteplirsen NDA and the impact on our business if eteplirsen does not receive marketing approval, including the possibility that we will have to delay or terminate some of our pre-clinical and clinical studies and cut certain programs from our pipeline of product candidates;

- our investment in and activities in preparation for a potential commercial launch of eteplirsen, including negotiating and entering into commercial and supply contracts, scaling up manufacturing and hiring commercial positions and the impact of winding down or terminating these commitments if the FDA does not approve our eteplirsen NDA;

- our estimates regarding how long our currently available cash, cash equivalents and investments will be sufficient to finance our operations and business plans and statements about our future capital needs;

our ability to raise additional funds to support our business plans, potential limitations on our ability to raise additional funds if eteplirsen does not receive approval or the decision is further delayed, the possibility that MidCap Financial might take the position that not getting approval in the near future is an event of default under our credit and security agreement, and the impact of our credit and security agreement with MidCap Financial on our financial condition and future operations;

our expectations regarding our ability to become a leading developer and marketer of PMO-based and RNA-targeted therapeutics and commercial viability of our product candidates, chemistries and technologies;

the potential safety, efficacy, potency and utility of our product candidates, chemistries and technologies in the treatment of DMD and in rare, infectious and other diseases;

our expectations regarding the timing, completion and receipt of results from our ongoing development programs for our pipeline of product candidates including their potential consistency with prior results;

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our ability to effectively manage the clinical trial process for our product candidates on a timely basis, including our ability to conduct a placebo-controlled confirmatory study for eteplirsen in the U.S. using an exon 53-skipping product candidate and any potential delays or changes to this study or our other studies if the FDA does not provide or further marketing approval for eteplirsen;

our expectations regarding our ability to engage a number of manufacturers with sufficient capability and capacity to meet our manufacturing needs, including with respect to the manufacture of subunits, drug substance APIs and drug product, within the time frames and quantities needed to provide our product candidates, including eteplirsen, to patients in larger scale clinical trials or in potential commercial quantities, and meet regulatory and Company quality control requirements;

the impact of regulations as well as regulatory decisions by the FDA and other regulatory agencies on our business, including with respect to our eteplirsen NDA submission as well as the development of our product candidates and our financial and contractual obligations;

our expectations regarding the potential markets for our product candidates;

our expectations regarding our manufacturing and scale-up techniques and our ability to synthesize and purify our product candidates to adequately support clinical development and potential commercialization;

the potential acceptance of our product candidates, if introduced, in the marketplace;

the possible impact of competing products on our product candidates and our ability to compete against such products;

the impact of potential difficulties in product development, manufacturing, or the commercialization of our product candidates, including difficulties in establishing the commercial infrastructure necessary for the commercialization of eteplirsen;

our expectations regarding partnering opportunities and other strategic transactions;

the extent of protection that our patents provide and our pending patent applications may provide, if patents issue from such applications, to our technologies and programs, and our ability to maintain patent protection for our technologies and programs;

our plans and ability to file and progress to issue additional patent applications to enhance and protect our new and existing technologies and programs;

our ability to invalidate some or all of the claims of patents issued to competitors and pending patent applications if issued to competitors, and the potential impact of those claims on the potential commercialization of our product candidates;

our ability to successfully challenge the patent positions of our competitors and successfully defend our patent positions in the actions that the United States Patent and Trademark Office or any appeals court may take or has taken with respect to our patent claims or those of third parties, including with respect to interferences that have been declared between our patents and patent applications held by BioMarin Pharmaceuticals, Inc., relating to eteplirsen and SRP-4053 and our expectations regarding the impact of these interferences on our business plans, including our current commercialization plans for eteplirsen and SRP-4053;

our ability to operate our business without infringing the intellectual property rights of others;

our ability to enter into contracts, including collaborations or licensing agreements, with respect to our technology and product candidates, with third parties, including government entities;

our estimates regarding future revenues, research and development expenses, other expenses, capital requirements and payments to third parties;

the timing and outcomes of ongoing interference proceedings and related appeals;

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the impact of litigation on us, including actions brought by stockholders;

our ability to attract and retain key employees needed to execute our business plans and strategies and our expectations regarding our ability to manage the impact of any loss of key employees;

our ability to comply with applicable environmental laws and regulations;

our expectations relating to potential funding from government and other sources for the development of some of our product candidates;

the impact of the potential achievement of performance conditions and milestones relating to our restricted stock awards;

our beliefs and expectations regarding milestone, royalty or other payments that could be due to third parties under existing agreements;

our succession plan, including the search for a permanent CEO and the effect that the changes in management could have on the Company, its business plans and its regulatory and clinical discussions and relationships; and

other factors set forth in the section entitled Risk Factors incorporated by reference to our most recent Annual Report on Form 10-K, any subsequent Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K we file after the date of this prospectus supplement.

All forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement, the risk factors set forth under the heading Risk Factors in this prospectus supplement, and in the section entitled Risk Factors incorporated herein by reference to our most recent Annual Report on Form 10-K, and our subsequent filings with the SEC, incorporated by reference in this prospectus supplement (see Where You Can Find Additional Information). These forward-looking statements speak only as of the date of this prospectus supplement. Except to the extent required by applicable laws and regulations of the SEC, we undertake no obligation to update these forward-looking statements to reflect new information, events or circumstances after the date of this prospectus supplement or to reflect the occurrence of unanticipated events. In light of these risks and uncertainties, the forward-looking events and circumstances described in this prospectus supplement may not occur and actual results could differ materially from those anticipated or implied in the forward-looking statements. Accordingly, you are cautioned not to place undue reliance on these forward-looking statements.

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USE OF PROCEEDS

We anticipate that the net proceeds to us, after deducting underwriting discounts and commissions and estimated expenses payable by us, will be approximately $37.3 million.

We intend to use the net proceeds from this offering principally for product and commercial development, manufacturing, any business development activities and other general corporate purposes. The amounts and timing of our actual expenditures for each purpose may vary significantly depending upon numerous factors, including the status of our product development and clinical trial efforts, regulatory approvals, competition and our ability to obtain government funding or other non-dilutive financing for the development of certain of our product candidates. We reserve the right to change the use of proceeds as a result of certain contingencies such as competitive developments, opportunities to acquire technologies or products and other factors. Pending application of the proceeds of sale of the securities, we intend to invest the net proceeds of the sale in short-term, investment-grade, interest-bearing instruments.

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MATERIAL U.S. FEDERAL TAX CONSIDERATIONS FOR NON-U.S. HOLDERS OF COMMON STOCK

The following is a summary of certain material U.S. federal income and estate tax considerations relating to the purchase, ownership and disposition of our common stock by Non-U.S. Holders (defined below), but does not purport to be a complete analysis of all the potential tax considerations. This summary is based upon the Internal Revenue Code of 1986, as amended (the Code), the Treasury regulations promulgated or proposed thereunder and administrative and judicial interpretations thereof, all as of the date hereof and all of which are subject to change at any time, possibly on a retroactive basis. This summary is limited to the tax consequences to those persons who hold our common stock as capital assets within the meaning of Section 1221 of the Code.

This summary does not purport to deal with all aspects of U.S. federal income and estate taxation that might be relevant to particular Non-U.S. Holders in light of their particular investment circumstances or status, nor does it address specific tax considerations that may be relevant to particular persons (including, for example, financial institutions, broker-dealers, insurance companies, partnerships or other pass-through entities, certain U.S. expatriates, tax-exempt organizations, controlled foreign corporations, passive foreign investment companies, corporations that accumulate earnings to avoid U.S. federal income tax, or persons in special situations, such as those who have elected to mark securities to market or those who hold common stock as part of a straddle, hedge, conversion transaction, synthetic security or other integrated investment). In addition, this summary does not address U.S. federal alternative minimum, the unearned income Medicare contribution tax, certain estate and gift tax considerations or considerations under the tax laws of any state, local or non-U.S. jurisdiction.

This summary is for general information only. Non-U.S. Holders are urged to consult their tax advisors concerning the U.S. federal income and estate taxation, state, local and non-U.S. taxation and other tax consequences to them of the purchase, ownership and disposition of our common stock, as well as the application of state, local and non-U.S. income and other tax laws.

For purposes of this summary, a Non-U.S. Holder means a beneficial owner of common stock that for U.S. federal income tax purposes is not an entity treated as a partnership and is not:

- an individual who is a citizen or resident of the U.S.,
- a corporation (or other entity taxable as a corporation) created or organized under the laws of the U.S., any state thereof, or the District of Columbia,
- an estate the income of which is subject to U.S. federal income tax regardless of its source, or
- a trust if (a) a court within the U.S. is able to exercise primary supervision over the administration of the trust, and one or more U.S. persons have the authority to control all substantial decisions of the trust, or (b) a valid election to be treated as a U.S. person is in effect with respect to such trust.

If a partnership, or an entity or arrangement treated as a partnership for U.S. federal income tax purposes, holds common stock, the tax treatment of a partner in the partnership generally will depend upon the partner s tax status and

upon the activities of the partnership. Accordingly, partnerships and other entities that are classified as partnerships for U.S. federal income tax purposes that hold our common stock and partners in such partnerships should consult their tax advisors.

Distributions on Our Common Stock

As discussed under Dividends above, we do not currently expect to pay dividends. In the event that we do make a distribution of cash or property with respect to our common stock, any such distributions will be treated as a dividend for U.S. federal income tax purposes to the extent paid from our current or accumulated earnings and profits (as determined under U.S. federal income tax principles). If a distribution exceeds our current and

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accumulated earnings and profits, the excess will be treated first as a tax-free return of capital to the extent of the Non-U.S. Holder s tax basis in our common stock and thereafter as capital gain from the sale or exchange of such stock. Any such distribution would also be subject to the discussion below under the section titled Additional Withholding and Information Reporting Requirements. Dividends paid to a Non-U.S. Holder generally will be subject to a 30% U.S. federal withholding tax unless such Non-U.S. Holder provides us or our agent, as the case may be, with a properly executed:

1. U.S. Internal Revenue Service (IRS) Form W-8BEN or W-8BEN-E (or successor form) claiming, under penalties of perjury, a reduction in withholding under an applicable income tax treaty, or

2. IRS Form W-8ECI (or successor form) stating that a dividend paid on common stock is not subject to withholding tax because it is effectively connected with a U.S. trade or business of the Non-U.S. Holder (in which case such dividend generally will be subject to regular graduated U.S. tax rates as described below).

The certification described above must be provided to us or another applicable withholding agent prior to the payment of the dividends and must be updated periodically. The certification requirement also may require a Non-U.S. Holder that provides an IRS form or that claims treaty benefits to provide its U.S. taxpayer identification number. Special certification and other requirements apply in the case of certain Non-U.S. Holders that are intermediaries or pass-through entities for U.S. federal income tax purposes.

Each Non-U.S. Holder is urged to consult its tax advisor about the specific methods for satisfying these requirements. A claim for exemption will not be valid if the person receiving the applicable form has actual knowledge or reason to know that the statements on the form are false.

If dividends are effectively connected with a U.S. trade or business of the Non-U.S. Holder (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment), the Non-U.S. Holder, although exempt from the withholding tax described above (provided that the certifications described above are satisfied), will be subject to U.S. federal income tax on such dividends on a net income basis in the same manner as if it were a resident of the United States. In addition, if such Non-U.S. Holder is a non-U.S. corporation and dividends are effectively connected with its U.S. trade or business (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment), such Non-U.S. Holder may be subject to an additional branch profits tax equal to 30% (unless reduced by an applicable income treaty) in respect of such effectively-connected income.

If a Non-U.S. Holder is eligible for a reduced rate of U.S. federal withholding tax pursuant to an income tax treaty, such holder may obtain a refund or credit of any excess amount withheld by timely filing an appropriate claim for refund with the IRS.

Disposition of Our Common Stock

Subject to the discussion below under the section titled Additional Withholding and Information Reporting Requirements , in general, a Non-U.S. Holder will not be subject to U.S. federal income tax or withholding tax on gain recognized on a sale, exchange or other taxable disposition of a share of our common stock, unless:

the gain is effectively connected with a trade or business of the Non-U.S. Holder in the United States (and, if required by an applicable income tax treaty, attributable to a U.S. permanent establishment);

the Non-U.S. Holder is a nonresident alien who is present in the United States for 183 days or more in the taxable year of the disposition and meets certain other conditions; or

we are or have been a United States real property holding corporation, as defined in the Code (a USRPHC), at any time within the shorter of the five-year period preceding the disposition and the Non-U.S. Holder s holding period in the share of our common stock.

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We believe we are not, and do not anticipate becoming, a USRPHC. However, because the determination of whether we are a USRPHC depends on the fair market value of our U.S. real property relative to the fair market value of other business assets, there can be no assurance that we will not become a USRPHC in the future. Even if we become a USRPHC, a Non-U.S. Holder would not be subject to U.S. federal income tax on a sale, exchange or other taxable disposition of our common stock so long as our common stock continues to be regularly traded on an established securities market and such Non-U.S. Holder does not own and is not deemed to own (directly, indirectly or constructively) more than 5% of our common stock at any time during the shorter of the five year period ending on the date of disposition and the holder s holding period.

If a Non-U.S. Holder is engaged in a trade or business in the U.S. and gain recognized by the Non-U.S. Holder on a sale or other disposition of our common stock is effectively connected with the conduct of such trade or business, the Non-U.S. Holder will generally be subject to regular U.S. income tax as if the Non-U.S. Holder were a U.S. person, subject to an applicable income tax treaty providing otherwise. Additionally, a non-U.S. corporation may also, under certain circumstances, be subject to an additional branch profits tax imposed at a rate of 30% (or, if applicable, a lower income tax treaty rate). Non-U.S. Holders whose gain from dispositions of our common stock may be effectively connected with the conduct of a trade or business in the United States are urged to consult their tax advisors with respect to the U.S. tax consequences of the purchase, ownership and disposition of our common stock.

A nonresident alien who is subject to U.S. federal income tax because such individual was present in the United States for 183 days or more in the taxable year of the taxable disposition of our common stock will be subject to a flat 30% tax on the gain derived from such disposition, which may be offset by U.S. source capital loss.

Backup Withholding and Information Reporting

Generally, we must report annually to the IRS and to each Non-U.S. Holder certain information including the Non-U.S. Holder s name, address and taxpayer identification number, the aggregate amount of distributions on our common stock paid to that Non-U.S. Holder during the calendar year and the amount of tax withheld, if any.

Backup withholding tax is imposed on dividends and certain other types of payments to certain U.S. persons (currently at a rate of 28%). In general, backup withholding tax will not apply to payments of dividends on common stock or proceeds from the sale of common stock payable to a Non-U.S. Holder if the certification described above under Distributions on Our Common Stock is duly provided by such Non-U.S. Holder or the Non-U.S. Holder otherwise establishes an exemption, provided that the payor does not have actual knowledge or reason to know that the Non-U.S. Holder is a U.S. person or that the conditions of any claimed exemption are not satisfied. Certain information reporting may still apply to distributions even if an exemption from backup withholding is established. Copies of any information returns reporting the distributions to a Non-U.S. Holder and any withholding also may be made available to the tax authorities in the country in which a Non-U.S. Holder resides under the provisions of an applicable income tax treaty.

Backup withholding is not an additional tax and any amounts withheld under the backup withholding tax rules from a payment to a Non-U.S. Holder will be allowed as a refund or a credit against such Non-U.S. Holder s U.S. federal income tax liability, provided that the requisite procedures are followed.

Non-U.S. Holders are urged to consult their tax advisors regarding their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding.

Additional Withholding and Information Reporting Requirements

Sections 1471 through 1474 of the Code and related Treasury Regulations, together with other Treasury Department or IRS guidance issued thereunder, and intergovernmental agreements, legislation, rules and other

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official guidance adopted pursuant to such intergovernmental agreements (commonly referred to as FATCA) generally impose a U.S. federal withholding tax of 30% on payments to certain non-U.S. entities (including certain intermediaries), including dividends on our common stock and, on or after January 1, 2017 (which, under recent Treasury guidance, is expected to be delayed until on or after January 1, 2019), the gross proceeds from a sale or other disposition of shares of our common stock, unless such persons comply with a complicated U.S. information reporting, disclosure and certification regime. This regime requires, among other things, a broad class of persons to enter into agreements with the IRS to obtain, disclose and report information about their investors and account holders. An intergovernmental agreement between the United States and an applicable foreign country may, however, modify these requirements. Prospective investors should consult their own tax advisors regarding the possible impact of these rules on their investment in our common stock, and the possible impact of these rules on the entities through which they hold our common stock, including, without limitation, the process and deadlines for meeting the applicable requirements to prevent the imposition of this 30% withholding tax under FATCA.

U.S. Federal Estate Tax

Common stock owned or treated as owned by an individual who is a Non-U.S. Holder at the time of death generally will be included in the individual s gross estate for U.S. federal estate tax purposes and may be subject to U.S. federal estate tax unless an applicable estate or other tax treaty provides otherwise.

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DILUTION

Purchasers of common stock offered by this prospectus supplement and the accompanying prospectus will suffer immediate and substantial dilution in the net tangible book value per share of common stock. Our net tangible book value as of March 31, 2016 was approximately $132.2 million, or approximately $2.89 per share of common stock. Net tangible book value per share represents the amount of total tangible assets less total liabilities, divided by the number of shares of our common stock outstanding as of March 31, 2016.

Dilution in net tangible book value per share represents the difference between the amount per share paid by purchasers of shares in this offering and the net tangible book value per share of our common stock immediately after this offering. After giving effect to the sale of 2,102,000 shares of common stock in this offering at an offering price of $17.84 per share, our as adjusted net tangible book value as of March 31, 2016 would have been approximately $169.7 million, or $3.55 per share of common stock. This represents an immediate increase in net tangible book value of $0.66 per share of common stock to our existing shareholders and an immediate dilution in net tangible book value of $14.29 per share of common stock to investors participating in this offering. The following table illustrates this per share dilution:

Offering price per share		$ 17.84
Net tangible book value per share as of March 31, 2016	$ 2.89	
Increase per share attributable to this offering	$ 0.66	
As adjusted net tangible book value per share as of March 31, 2016, after giving effect to this offering		$ 3.55
Dilution per share to new investors participating in this offering		$ 14.29

The above table is based on 45,767,497 shares of our common stock outstanding as of March 31, 2016 and excludes the following:

- 7,559,064 shares of our common stock issuable upon the exercise of stock options outstanding at under our 2002 Equity Incentive Plan, our 2011 Equity Incentive Plan, our 2014 Equity Incentive Plan and certain non-plan option grants;
- 177,863 shares of restricted stock awards issuable upon vesting under our 2011 Equity Incentive Plan;
- 170,000 shares subject to stock appreciation rights under our 2011 Equity Incentive Plan;
- 591,241 shares of our common stock available for future issuance under our 2011 Equity Incentive Plan; and
- 991,900 shares of our common stock available for future issuance under our 2014 Equity Incentive Plan.

To the extent that any options or warrants are exercised, new options are issued under our equity incentive plans, or we otherwise issue additional shares of common stock in the future, there will be further dilution to new investors.

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UNDERWRITING

Under the terms and subject to the conditions contained in an underwriting agreement dated June 8, 2016, we have agreed to sell to Credit Suisse Securities (USA) LLC and Robert W. Baird & Co. Incorporated, the underwriters in this offering, and the underwriters have agreed to purchase from us, an aggregate of 2,102,000 shares of our common stock.

The underwriting agreement provides that the underwriters are obligated to purchase all the shares of common stock in the offering if any are purchased.

The underwriters propose to offer the shares of common stock from time to time for sale in one or more transactions on the NASDAQ Global Select Market, in the over-the-counter market, through negotiated transactions or otherwise at market prices prevailing at the time of sale, at prices related to prevailing market prices or at negotiated prices, subject to receipt and acceptance by it and subject to its right to reject any order in whole or in part. In connection with the sale of the shares of common stock offered hereby, the underwriters may be deemed to have received compensation in the form of underwriting discounts. The underwriters may effect such transactions by selling shares of common stock to or through dealers and such dealers may receive compensation in the form of discounts, concessions or commissions from the underwriters and/or purchasers of shares of common stock for whom they may act as agent or to whom they may sell as principal.

We estimate that the total expenses of this offering, including registration, filing and listing fees, printing fees and legal and accounting expenses, but excluding the underwriting discounts and commissions, will be approximately $185,000. We have also agreed to reimburse the underwriters for expenses in an amount up to $15,000 relating to the clearance of this offering with the Financial Industry Regulatory Authority, Inc.

We and certain of our directors and officers have agreed that, without the prior written consent of Credit Suisse Securities (USA) LLC, we and they will not, during the period ending 45 days after the date of this prospectus (the restricted period):

- offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option, right or warrant to purchase, lend, or otherwise transfer or dispose of, directly or indirectly, any shares of common stock;
- file any registration statement with the Securities and Exchange Commission relating to the offering of any shares of common stock or any securities convertible into or exercisable or exchangeable for common stock; or
- enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the common stock.

In addition, we and each such person agrees that, without the prior written consent of Credit Suisse Securities (USA) LLC, we or such other person will not, during the restricted period, make any demand for, or exercise any right with respect to, the registration of any shares of common stock or any security convertible into or exercisable or exchangeable for common stock.

The restrictions described in the immediately preceding paragraph relating to our directors and officers and our shareholders do not apply to:

transfers or dispositions of common stock acquired in this offering or acquired in open market transactions after this offering;

transfers or dispositions of shares of common stock as a bona fide gift;

transfers of shares of common stock to any trust for the benefit of immediate family members;

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distributions of shares of common stock or any security convertible into or exercisable or exchangeable for common stock to limited partners or stockholders;

the sales of common stock pursuant to any existing trading plan that satisfies the requirements of Rule 10b5-1 under the Exchange Act;

the establishment of a trading plan that satisfies the requirements of Rule 10b5-1 under the Exchange Act for the transfer of shares of common stock, provided that (i) such plan does not provide for the transfer of common stock during the restricted period and (ii) to the extent a public announcement or filing under the Exchange Act, if any, is required or voluntarily made regarding the establishment of such plan, such announcement or filing shall include a statement to the effect that no transfer of common stock may be made under such plan during the restricted period; and

transfers or dispositions of shares of common stock or any security convertible into common stock by will or other testamentary document or by intestacy.

provided further that (i) in the case of any transfer or distribution as described in the second, third or fourth bullet point above, the recipient shall agree to be subject to the restrictions described in the immediately preceding paragraph and no filing under Section 16(a) of the Excha