

FUTURE OF RAPID

To: Shareholders of RAPID Pharmaceuticals AG

From: The Board

Dear Shareholders,

On February 15, 2016, the board held an extraordinary general meeting in Zurich, in order to discuss the status Quo of the company and the way forward. All shareholders were invited to the EGM and more than 95.703% of shareholders were represented. This letter intends to summarize the outcome of the meeting and inform you about the future of the company.

The EGM was called by the board of directors as an immediate response to the negative result of a PML study done to validate the efficacy of RAP101. Unexpected to the board, its investors and shareholders, the study indicated that the compounds do not inhibit the JC-Virus from spreading in human astrocytes, which cast doubt on the strategy previously developed and communicated to all of you. In addition, the company has had no new investment since the board successfully removed the company from bankruptcy in July of 2015.

The board informed shareholders immediately of the results of the study and of the need for restructuring in the memo sent on January 9, 2016 and proposed restructuring measures in the invitation to the EGM. In the meantime, the board finalized the financial statements as of December 31, 2015 and had them reviewed by the external Swiss auditor BDO. The board sent to you the financial statements, as well as the review of the external auditor BDO and the comment from the board.

The EGM held on February 15, 2016 discussed the financial situation, voted on the proposed restructuring measures and on two motions previously sent by Ms. Gaytri Kachroo. During the EGM the general meeting noted and resolved the following:

- (1) Pursuant to the financial statements of December 31, 2015, RAPID is **over-indebted** (by CHF 4.18 million; subordinated debt is CHF 2.02 million, unsubordinated debt is CHF 2.17 million;)
- (2) BDO, the external auditor confirms in its report of February 8, 2016 the accuracy of the financial statements and that RAPID is over indebted, respectively.

Consequently BDO points out unambiguously that the Board has the **obligation to deposit the balance sheet with the competent bankruptcy court** unless restructuring measures are taken immediately and new funds are raised.

- (3) The restructuring measures proposed by the board to provide further capital to the company were **unanimously rejected** by the general meeting.
- (4) Ms. Gaytri Kachroo's motion to have the restructuring measures reviewed by an independent Swiss counsel, which was again brought forward during the EGM by her proxy holder, was **rejected with a majority** of 65.7%.
- (5) Ms. Gaytri Kachroo's motion to convene another EGM (to elect a new board), which was again brought forward during the EGM by her proxy holder, was **rejected with a majority** of 65.7%.
- (6) The shareholders were informed in the invitation to the EGM as well as in the EGM itself that the board **must notify the court** by filing for bankruptcy due to over-indebtedness should the proposed restructuring measures be rejected by the EGM.

Following the mismanagement by the previous CEO, the failure of the PML study, and the EGM at which shareholders decided not to implement restructuring measures and invest further funds in the company, we regret that the board is forced to file for bankruptcy and will do so within the next 7 days.

Sincerely,

Board of Directors