UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported): July 10, 2014

ASSEMBLY BIOSCIENCES, INC.
(Exact name of registrant as specified in its charter)

Delaware	001-35005	20-8729264
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer ID Number)

99 Hudson Street, 5th Floor, New York, New York	10013
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (646) 706-5208

Ventrus Biosciences, Inc.
(Former name or former address, if changed since last report)

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

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

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

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

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

Item 2.01. Completion of Acquisition or Disposition of Assets.

On July 11, 2014, we completed the acquisition of Assembly Pharmaceuticals, Inc. ("Assembly") as our wholly owned subsidiary. The acquisition was effected pursuant to the previously announced Agreement and Plan of Merger and Reorganization executed on May 16, 2014, whereby Assembly merged with our wholly-owned subsidiary, with Assembly continuing in existence as the surviving corporation (the "Merger").

Pursuant to the terms of the merger agreement, the shares of Assembly common stock issued and outstanding immediately prior to the effective time of the Merger, which was 5:00 p.m. Eastern time, on July 11, 2014 (the "Effective Time"), ceased to be outstanding and were converted into an aggregate of 20,044,243 shares of our common stock. Also pursuant to the terms of the Merger Agreement, the options to purchase shares of Assembly common stock issued and outstanding immediately prior to the Effective Time were assumed by us and became exercisable for an aggregate of 3,108,257 shares of Ventrus common stock. These share and option amounts do not give effect to the one-for-five reverse stock split described in Item 5.03 below.

The shares of common stock and the options to purchase shares of common stock issued in the Merger are not registered under the Securities Act of 1933, as amended (the "Securities Act"), and may not be sold or otherwise disposed of in the absence of an effective registration statement covering such shares or the availability of an applicable exemption from the registration requirements of the Securities Act.

An unaudited condensed balance sheet of Assembly Pharmaceuticals, Inc. as of June 30, 2014, and the related condensed statements of operations, stockholders' deficit and cash flows for the six months ended June 30, 2014, will be filed by amendment to this Current Report on Form 8-K not later than 71 days after the date on which this Current Report on Form 8-K is required to be filed.

Unaudited pro forma condensed combined financial statements reflecting the combined financial position of Ventrus Biosciences, Inc. and Assembly Pharmaceuticals, Inc. as of June 30, 2014, and the results of their unaudited condensed combined operations for the six months ended June 30, 2014 and the year ended December 31, 2013 as if the acquisition had occurred on June 30, 2014, January 1, 2014 and January 1, 2013, respectively, will be filed by amendment to this Current Report on Form 8-K not later than 71 days after the date on which this Current Report on Form 8-K is required to be filed.

The press release announcing the completion of the acquisition of Assembly is filed as Exhibit 99.2 hereto and is incorporated herein by reference.

Item 3.02. Unregistered Sales of Equity Securities.

The information contained in Item 2.01 concerning the common stock and options issued in the Merger is incorporated herein by reference.

The shares of common stock and options issued to the Assembly stockholders and option holders upon the consummation of the Merger were issued in reliance upon the exemption from registration afforded by Section 4(2) under the Securities Act and corresponding provisions of state securities laws.

Item 5.02. Departure of Directors or Principal Officers; Election of Directors; Appointment of Principal Officers.

In connection with the Merger, we entered into employment agreements with Derek A. Small, Uri A. Lopatin and Lee D. Arnold. Pursuant to these agreements, Mr. Small will serve as President, Chief Operating Officer and Budget Chief, Dr. Lopatin will serve as Chief Medical Officer and Vice President, Research and Development, and Dr. Arnold will serve as Chief Scientific Officer. Mr. Small's employment agreement has an initial term of two years, and Dr. Lopatin's and Dr. Arnold's employment agreements provide for at-will employment, subject to payment of severance benefits depending on the circumstances of termination. The employment agreements provide for a base salary of $350,000 per year for Mr. Small, $290,000 per year for Dr. Lopatin and $315,000 per year for Dr. Arnold. Each employee is also eligible for an annual discretionary bonus based on achievement of financial, clinical development and business milestones established by our Board of Directors, with Mr. Small eligible for a bonus of up to 50% of his base salary, and Dr. Arnold and Dr. Lopatin eligible for a bonus of up to 30% of their respective base salaries. Mr. Small and Dr. Lopatin will also be eligible for a retention bonus payable after three months of employment in the amount of $150,000 for Mr. Small and $100,000 for Dr. Lopatin. Further, we will reimburse Dr. Small or pay directly up to $120,000 in expenses incurred to maintain an apartment in or near the city in which our principal executive offices are located.

Mr. Small's agreement will be extended automatically for one year periods unless we notify him in writing at least 180 days prior to the then current term that we intend to not extend the agreement. We also will use our best efforts to cause Mr. Small to be elected as a member of our board of directors throughout the term of the agreement. In the event of a change of control of our company (as defined in the agreement) and if during the six months immediately following a change of control Mr. Small's employment is terminated by us without cause or by him for good reason, we will provide the following benefits: (i) a lump sum payment equal to 18 months of his then-current base salary; (ii) the full annual discretionary bonus; (iii) immediate vesting in full of all equity awards; (iv) extension of the exercise period for all stock options to the end of their term; and (v) reimbursement for his applicable health continuation coverage premiums for the lesser of 18 months or the maximum period permitted by law, provided this obligation will terminate if he becomes eligible for insurance benefits from another employer during the reimbursement period.

In addition, if Mr. Small's employment is terminated during the term as a result of his disability (as defined in the agreement), or if Mr. Small's, Dr. Lopatin's or Dr. Arnold's employment is terminated during the term by us without cause (as defined in each agreement), or by the executive for good reason (as defined in each agreement), then we will provide the following benefits to that individual: (i) the continued payment in installments of his then-current base salary for 12 months (6 months in the case of Dr. Lopatin and Dr. Arnold); (ii) all equity awards which would have become vested during the 12 months following the termination date will accelerate and vest; (iii) the extension of the exercise period for all vested stock options to the end of their term; and (iv) reimbursement for his applicable health care continuation coverage premiums for the lesser of 12 months (6 months in the case of Dr. Lopatin and Dr. Arnold) or the maximum period permitted by applicable law, provided that this obligation will cease if he becomes eligible for insurance benefits from another employer during the reimbursement period.

Under the employment agreements, Mr. Small and Dr. Arnold will be prohibited for 12 months after termination of employment from engaging in certain competitive activities. Dr. Lopatin will be subject to and bound by a Confidentiality and Assignment of Inventions Agreement.

In connection with the Merger, we amended the Employment Agreement of Dr. Ellison, our Chief Executive Officer. Pursuant to the amendment, Dr. Ellison will continue to serve as our Chief Executive Officer. However, after the Merger, at any time our Board may appoint Mr. Small as Chief Executive Officer. In such event, Dr. Ellison will become the Executive Chair, and his employment as Chief Executive Officer will end. The amendment further amends the definition of "good reason" to reflect Dr. Ellison's transition to the position of Executive Chair by: (i) eliminating good reason based upon any material reduction of Dr. Ellison's duties, responsibilities or authority, and (ii) adding good reason based upon a failure of the Board to appoint him as Executive Chair or the Board's removal of Dr. Ellison as Executive Chair, provided that such failure or removal is not in connection with either a termination of Dr. Ellison's employment for cause (as defined by the employment agreement), or as a result of the failure of our stockholders to elect Dr. Ellison to our Board.

In connection with the Merger, on July 11, 2014, Mr. Small, Dr. Richard DiMarchi and Mr. William Ringo became directors of our company, each to serve until our 2015 annual meeting or their successors are appointed. The election was approved by our stockholders at the Annual Meeting of Stockholders held on July 10, 2014. Our Board has appointed Dr. DiMarchi to the Corporate Governance Committee as Chair and Mr. Ringo to the Audit Committee and to the Compensation Committee as Chair.

For biographical information on Mr. Small, Dr. DiMarchi and Mr. Ringo, see the information on each in the heading “Proposal No. 3 - Election of Directors” in the definitive proxy statement on Schedule 14A filed on June 9, 2014.

A copy of the amendment to Dr. Ellison’s employment agreement, and a copy of the employment agreements for Mr. Small, Dr. Lopatin and Dr. Arnold, are filed as Exhibits 10.23, 10.24, 10.25 and 10.26, respectively, and are hereby incorporated herein by reference. The foregoing descriptions of the amendment and the employment agreements do not purport to be complete and are qualified in their entirety by reference to the full text of such amendment and agreements.

Effective July 10, 2014, all of our directors serving prior to the 2014 Annual Meeting of Stockholders and all of our employees, including Dr. Russell Ellison, our Chief Executive Officer, and Mr. David Barrett, our Chief Financial Officer, forfeited all outstanding options and restricted stock units. This represents an aggregate of 514,445 options with exercise prices ranging between $12.35 and $78.85, and 75,000 restricted stock units that were to vest when the 20 trading day volume weighted average price of our common stock was $20.75, $25.75 and $30.75, all of which share amounts and prices have been adjusted to give effect to the 1-for-5 reverse stock split described in Item 5.03 below. Also on July 10, 2014, we granted options to purchase an aggregate of 2,560,000 shares of our common stock (on a post split-adjusted basis) to our directors and employees with an exercise price of $7.20 (which is equal to the $1.44 closing price of our stock on July 10, 2014 on a post split-adjusted basis). These options vest one third on the date of grant, one third on the first anniversary of the option grant date and one third on the second anniversary of the option grant date.

Item 5.03. Amendments to Articles of Incorporation or Bylaws; Change in Fiscal Year.

Pursuant to the authorization granted by our stockholders at our 2014 Annual Meeting of Stockholders held on July 10, 2014 of a 1-for-5 reverse stock split of our issued and outstanding shares of common stock, par value $0.001 per share, we filed with the Secretary of State of the State of Delaware on July 10, 2014, a Certificate of Amendment of our Third Amended and Restated Certificate of Incorporation to implement the reverse stock split effective as of July 11, 2014 at 5:01 p.m. Eastern time (the “Split Effective Time”). A copy of the Certificate of Amendment is attached hereto as Exhibit 3.1 and is incorporated herein by reference.

At the Split Effective Time, all shares of our common stock issued and outstanding immediately prior to the Split Effective Time, including shares issued to Assembly stockholders in connection with the acquisition of Assembly, were automatically reclassified into a smaller number of shares such that each five shares of issued common stock immediately prior to the Split Effective Time were reclassified into one share of common stock. No fractional shares will be issued, and in lieu thereof, any person who would otherwise be entitled to a fractional share of common stock as a result of the reverse stock split will be entitled to receive a cash payment equal to the fraction to which such holder would otherwise be entitled multiplied by the closing price per share of our common stock on the NASDAQ Capital Market on July 11, 2014, which was $1.45.

To reflect the reverse stock split, proportional adjustments will be made to our outstanding warrants, options and other equity awards and equity compensation plans. The reverse stock split will not affect the par value per share of our common stock (which remains at $0.001 per share) or the total number of shares of common stock that we are authorized to issue pursuant to our Third Amended and Restated Certificate of Incorporation, as amended (which remains at 50,000,000). VStock Transfer, LLC, our transfer agent, will act as exchange agent for purposes of implementing the exchange of stock certificates and the payment of cash in lieu of fractional shares.

Also pursuant to the authorization granted by our stockholders at our 2014 Annual Meeting of Stockholders held on July 10, 2014, the Certificate of Amendment changed the name of our company to "Assembly Biosciences, Inc.", effective as of July 11, 2014 at 5:01 p.m. Eastern time. In connection with the name change, our NASDAQ Capital Market trading symbol changed to "ASMB" effective upon the opening of trading on July 14, 2014.

Item 9.01. Financial Statements and Exhibits.

Exhibit	Description
3.1	Certificate of Amendment to Third Amended and Restated Certificate of Incorporation of Ventrus Biosciences, Inc.
10.23	Amendment dated July 11, 2014, to Employment Agreement, effective as of December 22, 2013 between Ventrus Biosciences, Inc. and Russell H. Ellison.
10.24	Employment Agreement, dated July 11, 2014, between Ventrus Biosciences, Inc. and Derek A. Small.
10.25	Employment Agreement, dated July 11, 2014, between Ventrus Biosciences, Inc. and Uri A. Lopatin.
10.26	Employment Agreement, dated July 11, 2014, between Ventrus Biosciences, Inc. and Lee D. Arnold.
10.27	Assembly Biosciences, Inc. 2014 Stock Incentive Plan (incorporated by reference to Appendix D to the definitive proxy statement on Schedule 14A filed on June 9, 2014).
23.1	Consent of EisnerAmper LLP.
99.1	Audited balance sheet of Assembly Pharmaceuticals, Inc. as of December 31, 2013, and the related statements of operations, stockholders' deficit and cash flows for the year ended December 31, 2013 and for the cumulative period from September 18, 2012 (inception) to December 31, 2013 (incorporated by reference to Appendix A to the definitive proxy statement on Schedule 14A filed on June 9, 2014).
99.2	Press release dated July 14, 2014.

SIGNATURES

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

ASSEMBLY BIOSCIENCES, INC.

Date: July 14, 2014

/s/ David J. Barrett
David J. Barrett, Chief Financial Officer

STATE OF DELAWARE
CERTIFICATE OF AMENDMENT
OF
THIRD AMENDED AND RESTATED
CERTIFICATE OF INCORPORATION
OF
VENTRUS BIOSCIENCES, INC.

Pursuant to Section 242 of the General Corporation Law

Ventrus Biosciences, Inc. (the "Corporation"), a corporation organized and existing under and by virtue of the Delaware General Corporation Law (the "DGCL"), for the purpose of amending the Corporation's Third Amended and Restated Certificate of Incorporation (the "Certificate of Incorporation") filed pursuant to Section 102 of the DGCL, does hereby certify, pursuant to Sections 242 and 103 of the DGCL, as follows:

1. The name of the corporation is Ventrus Biosciences, Inc.

2. The Corporation's original Certificate of Incorporation was filed on October 7, 2005, under the name South Island Biosciences, Inc., an Amended and Restated Certificate of Incorporation was filed on October 24, 2005, a second Amended and Restated Certificate of Incorporation, which included a provision to change the Corporation's name to Ventrus Biosciences, Inc., was filed on April 5, 2007, and a Third Amended and Restated Certificate of Incorporation was filed on November 10, 2010.

3. The amendment effected hereby was duly authorized by the Corporation's Board of Directors and stockholders in accordance with the provisions of Section 242 of the DGCL and shall be executed, acknowledged and filed in accordance with Section 103 of the DGCL.

4. Effective upon the filing of this Certificate of Amendment with the Delaware Secretary of State, ARTICLE I of the Certificate of Incorporation is hereby deleted and replaced in its entirety as follows:

"The name of the corporation is "Assembly Biosciences, Inc." (the "Corporation")."

5. Effective upon the filing of this Certificate of Amendment with the Delaware Secretary of State, paragraphs 1 and 2 of ARTICLE IV of the Certificate of Incorporation are hereby deleted and replaced in their entirety as follows:

"Effective upon the filing of this Certificate of Amendment with the Delaware Secretary of State (the "Effective Time"), each five shares of the Corporation's Common Stock, $0.001 par value per share, issued and outstanding (the "Old Common Stock"), will be converted and reconstituted into one share of the Corporation's Common Stock, $0.001 par value per share (the "New Common Stock"). No fractional shares of New Common Stock of the Corporation will be issued. As soon as practicable following the Effective Time, the Corporation will notify its stockholders of record as of the Effective Time to transmit outstanding share certificates to the Corporation's exchange agent and registrar ("Exchange Agent") and the Corporation will cause the Exchange Agent to issue new certificates or book entries representing one share of common stock for every five shares transmitted and held of record as of the Effective Time; and in settlement of fractional interests that might arise as a result of such combination as of the Effective Time, cause the Exchange Agent to disburse to such holders a cash payment in an amount equal to the product obtained by multiplying (i) the closing sales price of the Corporation's Common Stock on the day of the Effective Time as reported on the NASDAQ Capital Market (or, if the Corporation's Common Stock is not then listed on the NASDAQ Capital Market, the last trade price prior to the Effective Time) by (ii) the number of shares of the Corporation's Common Stock held by a holder that would otherwise have been exchanged for a fractional share interest, as determined by the Board.

The total number of shares that the Corporation shall have authority to issue, after taking into account the reverse stock split, is 55,000,000 (fifty-five million), consisting of (i) 50,000,000 (fifty million) shares of common stock, $.001 par value per share, and (ii) 5,000,000 (five million) shares of preferred stock, $.001 par value per share."

6. This Certificate of Amendment will be effective at 5:01 p.m., on July 11, 2014.

IN WITNESS WHEREOF, the Corporation has caused this Certificate of Amendment to be signed by its Chief Executive Officer this 10th day of July 2014.

VENTRUS BIOSCIENCES, INC.

By: /s/ Russell H. Ellison
Russell H. Ellison
Chief Executive Officer

FIRST AMENDMENT TO
EMPLOYMENT AGREEMENT

This FIRST AMENDMENT TO EMPLOYMENT AGREEMENT (this "**Amendment**") is entered into as of the 11th day of July 2014, by and between Ventrus BioSciences, Inc., a Delaware corporation (the "**Company**"), and Russell H. Ellison, MD (the "**Executive**").

WHEREAS, the Company and Executive are parties to that certain Employment Agreement effective as of December 22, 2013 (the "**Agreement**"); and

WHEREAS, the Company and Executive have agreed to amend the Agreement as set forth herein.

NOW, THEREFORE, in consideration of the premises and of the mutual covenants, conditions and agreements set forth herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto, intending to be legally bound, hereby amend the Agreement and agree as follows:

1. Amendment to Section 1. Section 1 of the Agreement is hereby amended and restated in its entirety as follows:

"1. Employment.

(a)Services. The Executive will continue to be employed by the Company as its Chief Executive Officer, and as Chairman of the Board of Directors. In this position, the Executive will report to the Board of Directors of the Company (the "**Board**") and shall perform such duties as are consistent with a position as Chief Executive Officer. Notwithstanding the foregoing, subject to and conditioned upon the occurrence of the currently anticipated closing of the merger between the Company and Assembly Pharmaceuticals, Inc., and subject to Executive's continued employment pursuant to this Agreement, if the Board chooses to appoint Derek Small as Chief Executive Officer at any time, Executive agrees that such appointment will not be a breach of this Agreement, Executive will assume the position of Executive Chair and the Company will employ Executive in the position of Executive Chair. Executive agrees at such time, the Executive will perform such duties as are consistent with the position of Executive Chair and will continue to report to the Company's Board. Executive and the Company agree that this Agreement replaces and supersedes in its entirety the Original Agreement, and that the Original Agreement is of no further force or effect as of the Effective Date.

(b)Acceptance. Executive hereby accepts such employment and agrees to perform his duties faithfully, to devote substantially all of his working time, attention and energies to the business of the Company, and while he remains employed and subject to the terms of this Agreement, not to engage in any other business activity that is in conflict with his duties and obligations to the Company."

2. Amendment to Section 3(b). Section 3(b) of the Agreement is hereby amended and restated in its entirety as follows:

"(b) The duties to be performed by the Executive hereunder shall be performed at the principal executive offices of the Company during the Term. Subject to approval of the Board and the Company's financial ability to satisfy its obligations, during Executive's employment as Chief Executive Officer, Executive is granted authority to hire his own team of senior management for the Company, including a Chief Financial Officer, Business Development/Commercial Officer, Chief Medical Officer, and such other key executives and technical support personnel, including but not limited to regulatory, clinical-medical and project management personnel that are necessary, in the Executive's reasonable judgment, to ensure the successful realization of the value of the Company's assets."

3. Amendment to Section 9(d). Section 9(d) of the Agreement is hereby amended and restated in its entirety as follows:

"(d) The Executive's employment hereunder may be voluntarily terminated by the Executive for Good Reason. For purposes of this Agreement, "Good Reason" shall mean any of the following: (i) any material reduction by the Company of the Executive's compensation or benefits payable hereunder (it being understood that a reduction of benefits applicable to all employees of the Company, including the Executive, shall not be deemed a reduction of the Executive's compensation package for purposes of this definition); (ii) any requirement by the Company that the Executive locate Company headquarters, or Executive's residence or primary place of employment, to a location outside a 30-mile radius of New York, NY, or (iii) failure during the Term to nominate the Executive for election to the Board and to recommend to shareholders to vote in support of such nomination, or failure of the Board to appoint the Executive as Chief Executive Officer of the Company prior to the second anniversary of the Closing Date or as Executive Chair after the second anniversary of the Closing Date, or removal during the Term from the Board, or removal as Chief Executive Officer of the Company prior to the second anniversary of the Closing Date or as Executive Chair after the second anniversary of the Closing Date, provided that such failure or removal is not in connection with either: (x) a termination of the Executive's employment hereunder by the Company for Cause, or (y) as a result of the failure of the stockholders of the Company to elect the Executive to the Board despite the Company's compliance with its obligations under Section 4 hereof; (iv) a material breach by the Company of Section 8(b) of this Agreement which is not cured by the Company within 30 days after written notice thereof is given to the Company by the Executive, or (v) a change in the lines of reporting such that the Executive no longer reports directly to the Board. However, notwithstanding the above, Good Reason shall not exist unless: (x) the Executive notifies the Board within ninety (90) days of the initial existence of one of the adverse events described above, and (y) the Company fails to correct the adverse event within thirty (30) days of such notice, and (z) the Executive's voluntary termination because of the existence of one or more of the adverse events described above occurs within 24 months of the initial existence of the event."

4. Construction. Any capitalized terms not defined herein shall have the meanings ascribed to such terms in the Agreement.

5. Counterparts. This Amendment may be executed in any number of counterparts, each of which shall constitute an original, but which, when taken together, shall constitute one instrument. Counterparts of this Amendment may be delivered via facsimile or other electronic means, with the intention that they shall have the same effect as an original counterpart hereof.

6. Effect on the Agreement. Except as specifically provided herein, the Agreement shall remain in full force and effect. Except as specifically provided above, the execution, delivery and effectiveness of this Amendment shall not operate as a waiver of any right, power or remedy of the Company or the Executive under the Agreement.

7. Governing Law. This Amendment shall be governed by and construed in accordance with the laws of the State of New York, without regard to the conflict of laws provisions thereof.

IN WITNESS WHEREOF, the parties hereto have executed this Amendment as of the day and year set forth above.

VENTRUS BIOSCIENCES, INC.

By: /s/ Myron Holubiak
Name: Myron Holubiak
Title: Lead Director

EXECUTIVE

/s/ Russell H. Ellison
Russell H. Ellison, MD

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "**Agreement**"), is entered into as of July 10, 2014, with an effective date of July 11, 2014 (the "**Effective Date**"), by and between Ventrus Biosciences, Inc., a Delaware corporation with principal executive offices at 99 Hudson Street, 5th Floor, New York, NY 10013 (the "**Company**"), and Derek Small, residing at 4392 Creekside Pass, Zionsville, IN 46077 (the "**Executive**").

WITNESSETH:

WHEREAS, the Company desires to employ the Executive as President, Chief Operating Officer and Budget Chief, and the Executive desires to accept employment by the Company; and

WHEREAS, the parties desire to enter into this Agreement, setting forth the terms and conditions of the Executive's employment with the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Employment.

(a) Services. The Executive will be employed by the Company as its President, Chief Operating Officer and Budget Chief. The Executive will report to the Chief Executive Officer and the Board of Directors of the Company (the "**Board**") and shall perform such duties as are consistent with a position as President, Chief Operating Officer and Budget Chief (the "**Services**"). The Executive agrees to perform such duties faithfully, to devote substantially all of his working time, attention and energies to the business of the Company, and while he remains employed and subject to the terms of this Agreement, not to engage in any other business activity that is in conflict with his duties and obligations to the Company.

(b) Acceptance. Executive hereby accepts such employment and agrees to render the Services.

2. Term. The Executive's employment under this Agreement shall be deemed to commence on the Effective Date and shall continue for a term of two (2) years (the "**Initial Term**"), unless sooner terminated pursuant to Section 9 of this Agreement. This Agreement will automatically be extended for additional one (1) year periods (each an "**Additional Term**" and, together with the Initial Term, the "**Term**") unless the Company notifies the Executive in writing that it intends to not extend this Agreement at least one hundred eighty (180) days prior to the expiration of the then current Term; *provided, however*, that the Company's failure to provide the Executive with such notice shall not constitute termination by the Executive for Good Reason (as defined in Section 9(d) hereof) or termination by the Company without Cause (as defined in Section 9(a) hereof). Notwithstanding the foregoing, the parties acknowledge and agree that, subject to Board approval, the Company anticipates offering the Executive employment in the position of Chief Executive Officer beginning on or about the second anniversary of the Effective Date.

3. Best Efforts; Place of Performance.

(a) The Executive shall devote substantially all of his business time, attention and energies to the business and affairs of the Company and shall use his best efforts to advance the best interests of the Company and during the Term shall not be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage, that will interfere with the performance by the Executive of his duties hereunder or the Executive's availability to perform such duties or that will adversely affect, or negatively reflect upon, the Company.

(b) The duties to be performed by the Executive hereunder shall be performed at the principal executive offices of the Company during the Term, or such other location as is mutually agreed to in writing by the parties.

4. Directorship. The Company shall use its best efforts to cause the Executive to be elected as a voting member of its Board throughout the Term and shall include him in the management slate for election as a director at every stockholders meeting during the Term at which his term as a director would otherwise expire. The Executive agrees to accept election, and to serve during the Term, as a member of the Company's Board without any compensation therefor other than as specified in this Agreement.

5. Compensation. As full compensation for the performance by the Executive of his duties under this Agreement, the Company shall pay the Executive as follows:

(a) Base Salary. Throughout the Term, the Company shall pay Executive an annual salary (the "**Base Salary**") equal to three hundred fifty thousand dollars ($350,000) per year. Payment shall be made in accordance with the Company's normal payroll practices. The Base Salary will be reviewed by the Chief Executive Officer and the Board of Directors no less frequently than annually, and may be increased (but not decreased).

(b) Annual Milestone Bonus. At the sole discretion of the Board, the Executive may receive a discretionary bonus on each anniversary of the Effective Date during the Term (the "**Annual Milestone Bonus**") in an amount up to fifty percent (50%) of his then current Base Salary based on the attainment by the Executive of certain financial, clinical development and business milestones (the "**Milestones**") as established annually by the Board (or a committee thereof), after consultation with the Executive, prior to the start of each anniversary of this Agreement. The Milestones for the first year of this Agreement shall be established by the Board, after consultation with the Executive, subsequent to, but not more than sixty (60) days following, the Effective Date. The Milestones for each subsequent year shall be established by the Board, after consultation with the Executive, at least sixty (60) days prior to each anniversary of this Agreement. The Annual Milestone Bonus shall be payable either as a lump-sum payment or in installments as determined by the Board in its sole discretion, *provided, however*, if the Board determines to pay the Executive in installments, such installments shall be no less frequently than monthly, and shall be over a time period not to exceed four (4) months, unless otherwise agreed by the Executive in writing. Notwithstanding the foregoing, the Annual Milestone Bonus, if any, for a given year will be paid in full no later than March 15 of the calendar year immediately following the calendar year for which the Annual Milestone Bonus, if any, is earned.

(c) Retention Bonus. Subject to the Executive's continued employment by the Company as provided by this Section 5(c), the Company will pay to Executive up to one hundred fifty thousand dollars ($150,000) as a retention bonus (the "**Retention Bonus**"). The Retention Bonus will be paid in a single lump sum on the Company's next regular payday following the date three (3) months after the Effective Date (the "**Payment Date**"). To earn and be entitled to payment of the Retention Bonus, the Executive must be actively employed by the Company on the Payment Date.

(d) Living Expense and Commuting Assistance. The Company acknowledges and accepts that the Executive's current place of residence and office are located in Indianapolis, Indiana. During the term of the Executive's employment, the Company will provide the Executive with access to either a corporate apartment or hotel lodging and will reimburse the Executive's travel expenses when the Executive is required to perform services in New York, NY and San Francisco, CA. In the event the Company requires the Executive to relocate to the Company's offices in a location other than the Indianapolis, Indiana area, then for each of the first three twelve (12) month periods following the Company's decision regarding the Executive's relocation, the Company shall reimburse or pay directly to the Executive up to $120,000 in cash (the "**Commuting Allowance Amounts**") for the expenses incurred by the Executive to maintain a separate apartment in or near the city in which the Company's principal executive offices are located and to assist with commuting expenses to and from such principal executive offices. Following the third anniversary of the Effective Date, the Company and the Executive may discuss whether to continue payment of Commuting Allowance Amounts for any additional period of time.

(e) Withholding. The Company shall withhold all applicable federal, state and local taxes, social security and such other amounts as may be required by law from all amounts payable to the Executive under this Section 5.

(f) Equity. Subject to and upon approval by the Board, the Company will grant to the Executive an option to purchase shares of common stock of the Company (the "**Stock Options**"). The Stock Options will be subject to vesting over three years, and will otherwise be subject to the terms and conditions of the Company's stock option plan and a stock option agreement as approved by the Board setting forth the exercise price, vesting conditions and other restrictions. The Stock Options and any subsequently granted equity or derivative securities will be collectively referred to in this Agreement as the "**Equity Awards**."

(g) Expenses. The Company shall provide the Executive with a corporate credit card for business use, and shall reimburse the Executive for all normal, usual and necessary expenses incurred by the Executive in furtherance of the business and affairs of the Company, including reasonable travel and entertainment, upon timely receipt by the Company of appropriate vouchers or other proof of the Executive's expenditures and otherwise in accordance with any expense reimbursement policy as may from time to time be adopted by the Company.

(h) Other Benefits. The Executive shall be entitled to all rights and benefits for which he shall be eligible under any benefit or other plans (including, without limitation, dental, medical, medical reimbursement and hospital plans, pension plans, employee stock purchase plans, profit sharing plans, bonus plans and other so-called "**Fringe Benefits**") as the Company shall make available to its senior executives from time to time. In addition, if applicable, the Company shall reimburse the Executive for his reasonable licensing fees, continuing professional education, and other professional dues. The Company shall also name the Executive as a covered person under its Directors & Officers insurance policies.

(i) Vacation. The Executive shall, during the Term, be entitled to a vacation of four (4) nonconsecutive weeks per annum, in addition to holidays observed by the Company. Unless otherwise provided by the Company's vacation policy or required by law, the Executive shall not be entitled to carry any unused, accrued vacation forward from one year of employment to the next, and any such vacation days will be forfeited without payment. In addition, unless otherwise provided by the Company's vacation policy or required by law, the Executive will forfeit payment for any unused, accrued vacation days upon termination of employment.

6. Confidential Information and Inventions.

(a) The Executive recognizes and acknowledges that in the course of his duties he is likely to receive confidential or proprietary information owned by the Company or third parties with whom the Company has an obligation of confidentiality, relating to and used in the Company's business (collectively, "**Confidential and Proprietary Information**"). Confidential and Proprietary Information shall include, but shall not be limited to, confidential or proprietary scientific or technical information, data, formulas and related concepts, business plans (both current and under development), client lists, promotion and marketing programs, trade secrets, or any other confidential or proprietary business information relating to development programs, costs, revenues, marketing, investments, sales activities, promotions, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Company or of any affiliate or client of the Company, and any and all information relating to the operation of the Company's business which the Company may from time to time designate as confidential or proprietary or that the Executive reasonably knows should be, or has been, treated by the Company as confidential or proprietary. The Executive expressly acknowledges that the Confidential and Proprietary Information constitutes a protectable business interest of the Company. The Executive further agrees that if any information that the Company deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret, such information will, nevertheless, be considered Confidential and Proprietary Information for purposes of this Agreement. Confidential and Proprietary Information does not include any information that: (i) at the time of disclosure is generally known to, or readily ascertainable by, the public; (ii) becomes known to the public through no fault of the Executive or other violation of this Agreement; or (iii) is disclosed to the Executive by a third party under no obligation to maintain the confidentiality of the information. The Executive agrees, during and after the Term, except as reasonably necessary for the fulfillment of his duties under this Agreement: (i) not to use any such Confidential and Proprietary Information for himself or others; (ii) to keep confidential and not disclose or make accessible to any other person or entity any Confidential and Proprietary Information; and (iii) not to take any Company Confidential and Proprietary Information (including but not limited to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) from the Company's offices at any time. The Executive agrees to return immediately all Company material and reproductions (including but not limited, to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) thereof in his possession to the Company upon termination of employment, or at any time upon the Company's request.

(b) Except with prior written authorization by the Company, the Executive agrees not to disclose or publish any of the Confidential and Proprietary Information, or any confidential, scientific, technical or business information of any other party to whom the Company owes an obligation of confidence, at any time during or after his employment with the Company. The restrictions in this Section 6(b) and in Section 6(a) above will not apply to any information that the Executive is required to disclose by law, *provided* that the Executive (i) notifies the Company of the existence and terms of such obligation, (ii) gives the Company a reasonable opportunity to seek a protective or similar order to prevent or limit such disclosure, and (iii) only discloses that information actually required to be disclosed.

(c) The Executive agrees that all inventions, discoveries, improvements and patentable or copyrightable works ("**Inventions**") initiated, conceived or made by him, either alone or in conjunction with others, during the course of his employment by the Company or that result from work performed by the Executive for the Company, shall be the sole property of the Company to the maximum extent permitted by applicable law and, to the extent permitted by law, shall be "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C.A., Section 101). The Company shall be the sole owner of all patents, copyrights, trade secret rights, and other intellectual property or other rights in connection therewith. The Executive hereby assigns to the Company all right, title and interest he may have or acquire in all such Inventions; *provided, however*, that the Board may in its sole discretion agree to waive the Company's rights pursuant to this Section 6(c) with respect to any Invention that is not directly or indirectly related to the Company's business. The Executive further agrees to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights or other rights on such Inventions in any and all countries, and to that end the Executive will execute all documents necessary:

(i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

(ii) to defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection.

To the extent this Agreement is required to be construed in accordance with the laws of any state which precludes a requirement to assign certain classes of inventions made by an employee, this Section 6 will be interpreted not to apply to any invention which a court rules and/or the Company agrees falls within such classes.

(d) The Executive acknowledges that, while performing the services under this Agreement the Executive may locate, identify and/or evaluate patented or patentable inventions having commercial potential in the fields of pharmacy, pharmaceutical, biotechnology, healthcare, technology and other fields which may be of potential interest to the Company (the "**Third-Party Inventions**"). The Executive understands, acknowledges and agrees that all rights to, interests in or opportunities regarding, all Third-Party Inventions identified by the Company or its affiliates or either of the foregoing Persons' officers, directors, employees (including the Executive), agents or consultants during the Term shall be and remain the sole and exclusive property of the Company or such affiliate and the Executive shall have no rights whatsoever to such Third-Party Inventions and will not pursue for himself or for others any transaction relating to the Third-Party Inventions which is not on behalf of the Company.

(e) The provisions of this Section 6 shall survive any termination or expiration of this Agreement.

7. Non-Competition and Non-Solicitation. The Executive understands and recognizes that his services to the Company are special and unique and that in the course of performing such services the Executive will have access to and knowledge of Confidential and Proprietary Information (as defined in Section 6) and will become knowledgeable of and familiar with the Company's customers as well as the Company's business. The Executive acknowledges that, due to the unique nature of the Company's business, the loss of any of its clients or business flow or the improper use of its Confidential and Proprietary Information could create significant instability and cause substantial damage to the Company and therefore the Company has a strong legitimate business interest in protecting the continuity of its business interests and the restrictions herein agreed to by the Executive narrowly and fairly serve such an important and critical business interest of the Company. Therefore, the Executive covenants and agrees as follows:

(a) Definitions. As used in this Agreement, the following terms have the meanings given to such terms below:

(i) "**Business**" means (A) the development of novel molecules (Core Protein Allosteric Modulators) aimed at hepatitis B core protein for the specific disease treatment of hepatitis B virus (HBV); (B) the development of novel prescription drugs for the specific disease treatment of anal fissures, *provided* that the Company actively engages in such business during the Term; (C) the development of (i) drug products that treat diseases with living bacteria, (ii) oral vaccines and (iii) products that orally deliver bacteria, viruses, complex molecules (such as proteins) and small molecules to the terminal ileum and/or colon; and (D) any other business that the Company is actively engaged in at the time of the date of termination, *provided* that this clause (C) shall only apply if Employee is involved with that other business.

(ii) "**Customer**" means (A) any person or entity who is or was a customer of the Company at the time of, or during the six (6) month period prior to, the date of the Executive's termination and with whom the Executive had dealings on behalf of the Company in the course of his employment with the Company, or about whom the Executive received Confidential and Proprietary Information in the course of his employment with the Company, and (B) any prospective customer to whom, within the six (6) month period prior to the Executive's date of termination, the Company had submitted proposals to for services of which the Executive has knowledge, whether or not such proposals have yet to be executed into contracts, *provided* that, the Company has a legitimate expectation of doing business with such prospective customer, and *provided further* that the Executive has had material business contacts with such prospective customer on behalf of the Company, whether such contact was initiated by the prospective customer or by the Executive.

(iii) "**Company Employee**" means (A) any person who is an employee of the Company at the time of the date of the Executive's termination of employment, and (B) any person who was an employee of the Company during the six (6) month period prior to, the termination of the Executive's employment.

(iv) "**Person**" means any person, firm, partnership, joint venture, corporation or other business entity.

(v) "**Restricted Period**" means the period commencing on the date of the Executive's termination of employment and ending twelve (12) months thereafter, *provided, however*, that this period will be tolled and will not run during any time Executive is in violation of this Section 7, it being the intent of the parties that the Restricted Period will be extended for any period of time in which the Executive is in violation of this Section 7.

(vi) "**Restricted Territory**" means any country in which the Company does business as of the Executive's date of termination, including without limitation each country to which the Executive directed or in which the Executive performed employment-related activities on behalf of the Company at the time of, or during the six (6) month period prior to, the Executive's date of termination and each country in which the Company is actively preparing to conduct business within the six (6) month period immediately following the Executive's date of termination, *provided* that Executive is materially involved in such preparations; or if that geographic territory is deemed by a court of competent jurisdiction to be overly broad, the United States of America; or if that geographic territory is deemed by a court of competent jurisdiction to be overly broad, any state, province or similar geographic subdivision in which the Company does business as of the Executive's date of termination, including without limitation each state to which the Executive directed or in which the Executive performed employment-related activities on behalf of the Company at the time of, or during the six (6) month period prior to, the date of termination; or if that geographic territory is deemed by a court of competent jurisdiction to be overly broad, the States of New York and Indiana.

(b) Non-Competition. During his employment with the Company, the Executive will not, on his own behalf or on behalf of any other Person, engage in any business competitive with or adverse to that of the Company. In addition, during his employment with the Company and during the Restricted Period, Executive will not (i) engage in the Business in the Restricted Territory, or (ii) hold a position based in or with responsibility for all or part of the Restricted Territory, with any Person engaging in the Business, whether as an employee, consultant, or otherwise, (A) in which the Executive will have duties, or will perform or be expected to perform services for such Person, that is or are the same as or substantially similar to the position held by Executive or those duties or services actually performed by the Executive for the Company within the twelve (12) month period immediately preceding the Executive's date of termination, or (B) in which the Executive will use or disclose or be reasonably expected to use or disclose any Confidential and Proprietary Information of the Company for the purpose of providing, or attempting to provide, such Person with a competitive advantage with respect to the Business. For purposes of clarification, nothing contained in this Section 7(b) shall be deemed to prohibit the Executive from acquiring or holding, solely for investment, publicly traded securities of any corporation, some or all of the activities of which are competitive with the business of the Company so long as such securities do not, in the aggregate, constitute more than five percent (5%) of any class or series of outstanding securities of such corporation.

(c) Non-Solicitation. During his employment with the Company and during the Restricted Period, the Executive will not, directly or indirectly, on the Executive's own behalf or on behalf of any other Person, within the Restricted Territory:

(i) Call upon, solicit, divert, encourage or attempt to call upon, solicit, divert or encourage any Customer for purposes of marketing, selling or providing products or services to such Customer that are similar to or competitive with those offered by the Company;

(ii) Induce, encourage or attempt to induce or encourage any Customer to reduce, limit or cancel its business with the Company;

(iii) Induce, encourage or attempt to induce or encourage any Customer to purchase or accept products or services competitive with those offered by the Company from any Person (other than the Company) engaging in the Business;

(iv) Otherwise interfere or engage in any conduct that would have the effect of interfering, in any manner, with the business relationship between the Company and any of the Company's Customers; or

(v) Solicit, induce, or attempt to solicit or induce any Company Employee or any independent contractor (who is then engaged by the Company or was engaged by the Company in the prior six (6) months) to terminate his or her employment or engagement with the Company or to accept employment or engagement with any Person engaging in the Business within the Restricted Territory.

(d) Direct Employment or Engagement by Customer. During his employment with the Company and during the Restricted Period, the Executive will not be employed or engaged (as an employee, contractor, consultant or otherwise) directly by, or solicit employment or engagement by, any Person who, during the Term of this Agreement, was an agent or Customer of the Company with whom the Executive worked during his employment with the Company in a position or capacity in which the Executive will be performing services for such Customer that are the same as, or substantially similar to, those services provided by the Executive for the Customer during the Executive's employment with the Company. For the avoidance of doubt, the terms "agent" and "Customer" will not include any investment bank, investor, lender or other financial intermediary which may represent, invest in or otherwise deal with the Company.

(e) Enforcement. In the event that the Executive breaches or threatens to breach any provisions of Section 6 or this Section 7, then the Company will suffer irreparable harm and monetary damages would be inadequate to compensate the Company. Accordingly, in addition to any other rights which the Company may have, the Company shall (i) be entitled, without the posting of bond or other security, to seek injunctive relief to enforce the restrictions contained in such Sections and (ii) have the right to require the Executive to account for and pay over to the Company all compensation, profits, monies, accruals, increments and other benefits (collectively "**Benefits**") derived or received by the Executive as a result of any transaction constituting a breach of any of the provisions of Sections 6 or 7, to the maximum extent permitted by law.

(f) Reasonableness and Severability. Each of the rights and remedies enumerated in Section 7(e) shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company at law or in equity. The Executive hereby acknowledges and agrees that the covenants provided for pursuant to Section 7 are essential elements of Executive's employment by the Company and are reasonable with respect to their duration, geographic area and scope and in all other respects. If, at the time of enforcement of this Section 7, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under the circumstances then existing, the parties hereto agree that the maximum duration, scope or geographic area legally permissible under such circumstances will be substituted for the duration, scope or area stated herein. If any of the covenants contained in this Section 7, or any part of any of them, is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants or rights or remedies which shall be given full effect without regard to the invalid portions. No such holding of invalidity or unenforceability in one jurisdiction shall bar or in any way affect the Company's right to the relief provided in this Section 7 or otherwise in the courts of any other state or jurisdiction within the geographical scope of such covenants as to breaches of such covenants in such other respective states or jurisdictions, such covenants being, for this purpose, severable into diverse and independent covenants.

(g) Remedies. In the event that an actual proceeding is brought in equity to enforce the provisions of Section 6 or this Section 7, the Executive shall not urge as a defense that there is an adequate remedy at law nor shall the Company be prevented from seeking any other remedies which may be available. The Executive agrees that he shall not raise in any proceeding brought to enforce the provisions of Section 6 or this Section 7 that the covenants contained in such Sections limit his ability to earn a living.

(h) Survival. The provisions of this Section 7 shall survive any termination of this Agreement.

8. Representations and Warranties.

(a) The Executive hereby represents and warrants to the Company as follows:

(i) Neither the execution or delivery of this Agreement nor the performance by the Executive of his duties and other obligations hereunder violate or will violate any statute, law, determination or award, or conflict with or constitute a default or breach of any covenant or obligation under (whether immediately, upon the giving of notice or lapse of time or both) any prior employment agreement, contract, or other instrument to which the Executive is a party or by which he is bound.

(ii) The Executive has the full right, power and legal capacity to enter and deliver this Agreement and to perform his duties and other obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of the Executive enforceable against him in accordance with its terms. No approvals or consents of any persons or entities are required for the Executive to execute and deliver this Agreement or perform his duties and other obligations hereunder.

(b) The Company hereby represents and warrants to the Executive that this Agreement and the employment of the Executive hereunder have been duly authorized by and on behalf of the Company, including, without limitation, by all required action by the Board.

9. Termination. The Executive's employment hereunder shall be terminated immediately upon the Executive's death and may be otherwise terminated as follows:

(a) The Executive's employment hereunder may be terminated by the Company for Cause. Any of the following actions by the Executive shall constitute "**Cause**":

(i) The willful failure, disregard or continuing refusal by the Executive to perform his duties hereunder;

(ii) Any act of willful or intentional misconduct, or a grossly negligent act by the Executive having the effect of injuring, in a material way (as determined in good-faith by the Company), the business or reputation of the Company, including but not limited to, any officer, director, or executive of the Company;

(iii) Willful misconduct by the Executive in carrying out his duties or obligations under this Agreement, including, without limitation, insubordination with respect to lawful directions received by the Executive from the Chief Executive Officer or from the Board;

(iv) The Executive's indictment of any felony or a misdemeanor involving moral turpitude (including entry of a *nolo contendere* plea);

(v) The determination by the Company, based upon clear and convincing evidence, after a reasonable and good-faith investigation by the Company following a written allegation by another employee of the Company, that the Executive engaged in some form of harassment prohibited by law (including, without limitation, age, sex or race discrimination), unless the Executive's actions were specifically directed by the Board;

(vi) Any intentional misappropriation of the property of the Company, or embezzlement of its funds or assets (whether or not a misdemeanor or felony);

(vii) Breach by the Executive of any of the provisions of Sections 6, 7, or 8 of this Agreement; and

(viii) Breach by the Executive of any provision of this Agreement other than those contained in Sections 6, 7, or 8 which is not cured by the Executive within thirty (30) business days after notice thereof is given to the Executive by the Company.

(b) The Executive's employment hereunder may be terminated by the Board due to the Executive's Disability. For purposes of this Agreement, a termination for "**Disability**" shall occur (i) when the Board has provided a written termination notice to the Executive supported by a written statement from a reputable independent physician mutually selected by the Company and the Executive, or the Executive's legal representatives in the event he is unable to make such selection due to mental incapacity, to the effect that the Executive shall have become so physically or mentally incapacitated as to be unable to resume, even with reasonable accommodation as may be required under the Americans With Disabilities Act, within the ensuing twelve (12) months, his employment hereunder by reason of physical or mental illness or injury, or (ii) upon rendering of a written termination notice by the Company after the Executive has been unable to substantially perform his duties hereunder, even with reasonable accommodation as may be required under the Americans With Disabilities Act, for one hundred twenty (120) or more consecutive days, or more than one hundred eighty (180) days in any consecutive twelve month period, by reason of any physical or mental illness or injury. For purposes of this Section 9(b), the Executive agrees to make himself available and to cooperate in any reasonable examination by a reputable independent physician mutually selected by the Company and the Executive, and paid for by the Company. Notwithstanding the foregoing, nothing herein shall give the Company the right to terminate the Executive prior to discharging its obligations to the Executive, if any, under the Family and Medical Leave Act, the Americans With Disabilities Act, or any other applicable law. The Company shall reimburse the Executive for his actual cost of maintaining a supplementary long-term disability insurance policy during the Term up to a maximum reimbursement of $10,000 per year.

(c) The Executive's employment hereunder may be terminated by the Company (or its successor) by written notice to the Executive upon the occurrence of a Change of Control. For purposes of this Agreement, "**Change of Control**" means (i) the acquisition, directly or indirectly, following the date hereof by any person (as such term is defined in Section 13(d) and 14(d)(2) of the Securities Exchange Act of 1934, as amended), in one transaction or a series of related transactions, of securities of the Company representing in excess of fifty percent (50%) or more of the combined voting power of the Company's then outstanding securities if such person or his or its affiliate(s) do not own in excess of 50% of such voting power on the Effective Date of this Agreement, or (ii) the future disposition by the Company (whether direct or indirect, by sale of assets or stock, merger, consolidation or otherwise) of all or substantially all of its business and/or assets in one transaction or series of related transactions other than a merger (1) effected exclusively for the purpose of changing the domicile of the Company or (2) effected for the purpose of obtaining a public listing and/or publicly traded securities.

(d) The Executive's employment hereunder may be voluntarily terminated by the Executive for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean any of the following: (i) any material reduction by the Company of the Executive's duties, responsibilities, or authority which causes his position with the Company to become of less responsibility or authority than his position immediately following the Effective Date; (ii) any material reduction by the Company of the Executive's compensation or benefits payable hereunder (it being understood that a reduction of benefits applicable to all employees of the Company, including the Executive, shall not be deemed a reduction of the Executive's compensation package for purposes of this definition); (iii) any requirement by the Company, without the Executive's prior written consent, that the Executive locate the Executive's residence or primary place of employment to a location outside a 30-mile radius of such location mutually agreed upon between the Company and the Executive as of the Effective Date, or such other location that the Company and the Executive may mutually agree upon and designate from time to time during the Term; (iv) a material breach by the Company of Section 8(b) of this Agreement which is not cured by the Company within 30 days after written notice thereof is given to the Company by the Executive; (v) a change in the lines of reporting such that the Executive no longer reports directly to the Chief Executive Officer, or (vi) any failure by the Company to appoint the Executive as the Chief Executive Officer on or prior to the second anniversary of the Effective Date unless otherwise consented to by the Executive or unless the Executive has taken any action constituting Cause. However, notwithstanding the above, Good Reason shall not exist unless: (x) the Executive notifies the Board within ninety (90) days of the initial existence of one of the adverse events described above, and (y) the Company fails to correct the adverse event within thirty (30) days of such notice, and (z) the Executive's voluntary termination because of the existence of one or more of the adverse events described above occurs within 24 months of the initial existence of the event.

(e) The Executive's employment may be terminated by the Company without Cause by delivery of written notice to the Executive effective fifteen (15) days after the date of delivery of such notice.

(f) The Executive's employment may be terminated by the Executive in the absence of Good Reason by delivery of written notice to the Company effective fifteen (15) days after the date of delivery of such notice.

10. Compensation upon Termination.

(a) Accrued Benefits. Upon termination of the Executive's employment by either party regardless of the cause or reason, the Executive shall be entitled to the following, referred to herein as the "**Accrued Benefits**": (i) payment for any accrued, unpaid Base Salary through the termination date; (ii) if provided for under the Company's vacation plan or policy or required by applicable law, payment for any accrued, unused vacation days through the termination date; and (iii) reimbursement for any approved business expenses that the Executive has timely submitted for reimbursement in accordance with the Company's business expense reimbursement policy or practice. Except as otherwise expressly provided by this Agreement, the Company shall have no further payment obligations to the Executive and all Equity Awards that have not vested as of the date of termination shall be forfeited to the Company as of such date. Subject to this Section 10, Stock Options that have vested as of the Executive's termination shall remain exercisable for 90 days following such termination.

(b) Change of Control Severance. If during the Term a Change of Control occurs and if during the six (6) month period immediately following such Change of Control the Executive's employment is terminated by the Company without Cause pursuant to Section 9(e) (and not due to non-renewal of the Term) or by the Executive for Good Reason pursuant to Section 9(d), *provided* that the Executive signs and does not revoke a general release of claims against the Company within the time period specified therein (which time period shall not exceed sixty (60) days), in form and substance satisfactory to the Company (the "**Release**"), and *provided further* that such termination is a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h), then the Company shall provide the following benefits to the Executive, referred to herein as the "**Change of Control Separation Benefits**": (i) a lump sum payment equal to eighteen (18) months of the Executive's then-current Base Salary (less applicable taxes and withholdings); (ii) the full Annual Milestone Bonus (items (i) and (ii) being the "**Change of Control Separation Pay**"); (iii) immediate vesting in full of all Equity Awards; (iv) extension of the exercise period for all Stock Options to the end of their term; and (v) if the Executive properly and timely elects to continue his health insurance benefits under COBRA or applicable state continuation coverage after the date of termination, reimbursement for the Executive's applicable health continuation coverage premiums for the lesser of (A) the eighteen (18) month period following the month in which the Executive's termination date occurs, or (B) the maximum period permitted by applicable law, *provided* that the Company's obligation to pay a portion of the Executive's health continuation coverage premiums will terminate if he becomes eligible for insurance benefits from another employer during the reimbursement period. The Change of Control Separation Pay will be paid within sixty (60) days after the termination date.

(c) Other Severance Benefits. If the Executive's employment is terminated during the Term as a result of the Executive's Disability pursuant to Section 9(b), by the Company without Cause pursuant to Section 9(e), or by the Executive for Good Reason pursuant to Section 9(d), *provided* that the Executive signs and does not revoke the Release within the time period specified therein (which time period shall not exceed sixty (60) days), and *provided further* that such termination is a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h), then the Company shall provide the following benefits to the Executive, referred to herein as the "**Separation Benefits**": (i) the continued payment in installments of the Executive's then-current Base Salary (less applicable taxes and withholdings) for a period of twelve (12) months following the date of termination (the "**Separation Pay**"); (ii) all Equity Awards which would have become vested during the twelve (12) months following the termination date shall accelerate and vest; (iii) the extension of the exercise period for all vested Stock Options to the end of their term; and (iv) *provided* that the Executive properly and timely elects to continue his health insurance benefits under COBRA or applicable state continuation coverage after the date of termination, reimbursement for the Executive's applicable health care continuation coverage premiums for the lesser of (A) the twelve (12) month period following the month in which the termination date occurs, or (B) the maximum period permitted by applicable law, *provided* that the Company's obligation to pay a portion of the Executive's health continuation coverage premiums will terminate if he becomes eligible for insurance benefits from another employer during the reimbursement period. The first installment of the Separation Pay will be paid on the Company's first regular payday occurring sixty (60) days after the termination date in an amount equal to the sum of payments of Base Salary that would have been paid if he had remained in employment for the period from the termination date through the payment date. The remaining installments will be paid until the end of the 12-month period at the same rate as the Base Salary in accordance with the Company's normal payroll practices for its employees. The Executive understands that if he is eligible to receive the Separation Benefits, such Separation Benefits shall be in lieu of and not in addition to any other severance benefits otherwise provided for herein, including the severance benefits described in Section 10(b) of this Agreement. Notwithstanding the foregoing, if the Executive is entitled to receive the Separation Benefits but violates any provisions of this Agreement or any other agreement entered into by the Executive and the Company after termination of employment, the Company will be entitled to immediately stop paying any further installments of the Separation Benefits. If the Executive's employment is terminated during the Term as a result of the Executive's death, then the Company shall provide to the Executive's estate the continued payment of Executive's then-current Base Salary for a period of twelve (12) months following the date of termination, beginning on the Company's first regular payday following the date of such termination.

(d) This Section 10 sets forth the only obligations of the Company with respect to the termination of the Executive's employment with the Company, except as otherwise required by law, and the Executive acknowledges that, upon the termination of his employment, he shall not be entitled to any payments or benefits which are not explicitly provided in Section 10. For purposes of clarification, if the Executive's employment with the Company terminates upon expiration of the Term, the Executive shall only be entitled to receive the Accrued Benefits described in Section 10(a).

(e) Upon termination of the Executive's employment hereunder for any reason, if requested by the Board, the Executive shall be deemed to have resigned as director of the Company, effective as of the date of such termination.

(f) The provisions of this Section 10 shall survive any termination of this Agreement.

11. 409A Restrictions. The intent of the parties to this Agreement is that the payments, compensation and benefits under this Agreement be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "**Section 409A**") and, in this connection, the following shall be applicable:

(a) To the greatest extent possible, this Agreement shall be interpreted to be exempt or in compliance with Section 409A.

(b) If any severance, compensation, or benefit required by this Agreement is to be paid in a series of installment payments, each individual payment in the series shall be considered a separate payment for purposes of Section 409A.

(c) If any severance, compensation, or benefit required by this Agreement that constitutes "nonqualified deferred compensation" within the meaning of Section 409A is considered to be paid on account of "separation from service" within the meaning of Section 409A, and the Executive is a "specified employee" within the meaning of Section 409A, no payments of any of such severance, compensation, or benefit shall be made for six (6) months plus one (1) day after such separation from service (the "**New Payment Date**"). The aggregate of any such payments that would have otherwise been paid during the period between the date of separation from service and the New Payment Date shall be paid to the Executive in a lump sum payment on the New Payment Date. Thereafter, any severance, compensation, or benefit required by this Agreement that remains outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement.

(d) The provisions of this Section 11 shall survive any termination of this Agreement.

12. Miscellaneous.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without giving effect to its principles of conflicts of laws.

(b) In the event of any dispute arising out of, or relating to, this Agreement or the breach thereof (other than Sections 6 or 7 hereof), or regarding the interpretation thereof, the parties agree to submit any differences to nonbinding mediation prior to pursuing resolution through the courts. The parties hereby submit to the exclusive jurisdiction of the Courts of New York County, New York, or the United States District Court for the Southern District of New York, and agree that service of process in such court proceedings shall be satisfactorily made upon each other if sent by registered mail addressed to the recipient at the address referred to in Section 12(g) below.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and permitted assigns.

(d) This Agreement, and the Executive's rights and obligations hereunder, may not be assigned by the Executive. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company, including any successors or assigns in connection with any sale, transfer or other disposition of all or substantially all of its business or assets.

(e) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the parties hereto.

(f) The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and such terms, conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(g) All notices, requests, consents and other communications, required or permitted to be given hereunder, shall be in writing and shall be delivered personally or by an overnight courier service or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at the addresses set forth on the first page of this Agreement, and shall be deemed given when so delivered personally or by overnight courier, or, if mailed, five days after the date of deposit in the United States mail. Either party may designate another address, for receipt of notices hereunder by giving notice to the other party in accordance with this Section 12(g).

(h) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(i) As used in this Agreement, "**affiliate**" of a specified person or entity shall mean and include any person or entity controlling, controlled by or under common control with the specified person or entity.

(j) The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(k) This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

[*Remainder of Page Intentionally Left Blank – Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and intend it to be effective as of the Effective Date by proper person thereunto duly authorized.

VENTRUS BIOSCIENCES, INC.

By: /s/ Russell H. Ellison
Name: Russell H. Ellison
Title: Chief Executive Officer

EXECUTIVE

/s/ Derek Small
Derek Small

[Signature Page to Derek Small Employment Agreement]

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "**Agreement**"), is entered into as of July 10, 2014, with an effective date of July 11, 2014 (the "**Effective Date**"), by and between Ventrus Biosciences, Inc., a Delaware corporation with principal executive offices at 99 Hudson Street, 5th Floor, New York, NY 10013 (the "**Company**"), and Uri A. Lopatin, MD, residing at 1233 Howard Street, Apt 716, San Francisco, CA 94103 (the "**Employee**").

WITNESSETH:

WHEREAS, the Company desires to employ the Employee as Chief Medical Officer and Vice President, Research and Development, and the Employee desires to accept employment by the Company; and

WHEREAS, the parties desire to enter into this Agreement, setting forth the terms and conditions of the Employee's employment with the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Employment.

(a) Services. The Employee will be employed by the Company as its Chief Medical Officer and Vice President, Research and Development. The Employee will report to the Company's Chief Operating Officer and President and shall perform such duties as are consistent with a position as Chief Medical Officer and Vice President, Research and Development (the "**Services**"). The Employee agrees to perform such duties faithfully, to devote substantially all of his working time, attention and energies to the business of the Company, and while he remains employed and subject to the terms of this Agreement, not to engage in any other business activity that is in conflict with his duties and obligations to the Company.

(b) Acceptance. The Employee hereby accepts such employment and agrees to render the Services.

2. Term. The Employee's employment under this Agreement shall be "at-will" and shall be deemed to commence on the Effective Date and shall continue in effect until terminated pursuant to Section 7 of this Agreement by either the Company or the Employee (the "**Term**").

3. Best Efforts; Place of Performance.

(a) The Employee shall devote substantially all of his business time, attention and energies to the business and affairs of the Company and shall use his best efforts to advance the best interests of the Company and during the Term shall not be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage, that will interfere with the performance by the Employee of his duties hereunder or the Employee's availability to perform such duties or that will adversely affect, or negatively reflect upon, the Company.

(b) The duties to be performed by the Employee hereunder shall be performed at the principal executive offices of the Company during the Term, or such other location as is mutually agreed to in writing by the parties.

4. Compensation. As full compensation for the performance by the Employee of his duties under this Agreement, the Company shall pay the Employee as follows:

(a) Base Salary. The Company shall pay the Employee an annual salary (the "**Base Salary**") equal to two hundred ninety thousand dollars ($290,000) per year. Payment shall be made in accordance with the Company's normal payroll practices. The Base Salary will be subject to periodic review and adjustment in the Company's discretion.

(b) Annual Milestone Bonus. At the sole discretion of the Company's Board of Directors (the "**Board**"), the Employee may receive a discretionary bonus on each anniversary of the Effective Date during the Term (the "**Annual Milestone Bonus**") in an amount up to thirty percent (30%) of his then current Base Salary based on the attainment by the Employee of certain financial, clinical development and business milestones (the "**Milestones**") as established annually by the Board (or a committee thereof), after consultation with the Employee, prior to the start of each anniversary of this Agreement. The Milestones for the first year of this Agreement shall be established by the Board subsequent to, but not more than sixty (60) days following, the Effective Date. The Milestones for each subsequent year shall be established by the Board at least sixty (60) days prior to each anniversary of this Agreement. In order to receive an Annual Milestone Bonus for any given year, the Employee must be actively employed by the Company on the last calendar day of the applicable bonus year. Accordingly, the Employee forfeits any Annual Milestone Bonus for which the Employee might otherwise be eligible if the Employee's employment ends for any reason before the applicable anniversary of the Effective Date. The Annual Milestone Bonus shall be payable either as a lump-sum payment or in installments as determined by the Board in its sole discretion, *provided, however*, if the Board determines to pay the Employee in installments, such installments shall be no less frequently than monthly, and shall be over a time period not to exceed four (4) months, unless otherwise agreed by the Employee in writing. Notwithstanding the foregoing, the Annual Milestone Bonus, if any, for a given year will be paid in full no later than March 15 of the calendar year immediately following the calendar year for which the Annual Milestone Bonus, if any, is earned.

(c) Retention Bonus. Subject to Employee's continued employment by the Company as provided by this Section 4(c), the Company will pay to the Employee up to one hundred thousand dollars ($100,000) as a retention bonus (the "**Retention Bonus**"). The Retention Bonus will be paid in a single lump sum payment on the Company's next regular payday following the date three (3) months after the Effective Date (the "**Payment Date**"). To earn and be entitled to payment of the Retention Bonus, the Employee must be actively employed by the Company on the Payment Date.

(d) Withholding. The Company shall withhold all applicable federal, state and local taxes, social security and such other amounts as may be required by law from all amounts payable to the Employee under this Section 4.

(e) Equity. Subject to and upon approval by the Board, the Company will grant to the Employee an option to purchase shares of common stock of the Company (the "**Stock Options**"). The Stock Options will be subject to vesting over three years, and will otherwise be subject to the terms and conditions of the Company's stock option plan and a stock option agreement as approved by the Board setting forth the exercise price, vesting conditions and other restrictions. The Stock Options and any subsequently granted equity or derivative securities will be collectively referred to in this Agreement as the "**Equity Awards**."

(f) Expenses. The Company shall reimburse the Employee for all normal, usual and necessary expenses incurred by the Employee in furtherance of the business and affairs of the Company, including reasonable travel and entertainment, upon timely receipt by the Company of appropriate vouchers or other proof of the Employee's expenditures and otherwise in accordance with any expense reimbursement policy as may from time to time be adopted by the Company.

(g) Other Benefits. The Employee shall be entitled to all rights and benefits for which he shall be eligible under any benefit or other plans (including, without limitation, dental, medical, medical reimbursement and hospital plans, pension plans, employee stock purchase plans, profit sharing plans, bonus plans and other so-called "**Fringe Benefits**") as the Company shall make available to other similarly-situated employees from time to time. In addition, if applicable, the Company shall reimburse the Employee for his reasonable licensing fees, continuing professional education, and other professional dues.

(h) Vacation. The Employee shall, during the Term, be entitled to a vacation of three (3) nonconsecutive weeks per annum, in addition to holidays observed by the Company. All vacation time will be earned in accordance with the Company's vacation plan or policy, as it may be instituted from time to time.

5. Confidentiality and Assignment of Inventions. In connection with and as a material condition of the Company's decision to employ the Employee, the Employee understands, acknowledges and agrees to promptly execute and be bound by certain covenants during and after his employment with the Company, as contained in the Company's Employee Confidentiality and Assignment of Inventions Agreement (the "**Confidentiality Agreement**"). A copy of the Confidentiality Agreement is attached to this Agreement as Exhibit A. The Employee acknowledges and agrees that his services to the Company pursuant to this Agreement are unique and extraordinary and that in the course of performing such services the Employee shall have access to and knowledge of significant confidential, proprietary, and trade secret information belonging to the Company. The Employee agrees that the provisions and restrictions set forth in the Confidentiality Agreement are reasonable and necessary to protect the Company's legitimate business interests in its goodwill, its confidential, proprietary, and trade secret information, and its investment in the unique and extraordinary services to be provided by the Employee pursuant to this Agreement.

6. Representations and Warranties.

(a) The Employee hereby represents and warrants to the Company as follows:

(i) Neither the execution or delivery of this Agreement nor the performance by the Employee of his duties and other obligations hereunder violate or will violate any statute, law, determination or award, or conflict with or constitute a default or breach of any covenant or obligation under (whether immediately, upon the giving of notice or lapse of time or both) any prior employment agreement, contract, or other instrument to which the Employee is a party or by which he is bound.

(ii) The Employee has the full right, power and legal capacity to enter and deliver this Agreement and to perform his duties and other obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of the Employee enforceable against him in accordance with its terms. No approvals or consents of any persons or entities are required for the Employee to execute and deliver this Agreement or perform his duties and other obligations hereunder.

(b) The Company hereby represents and warrants to the Employee that this Agreement and the employment of the Employee hereunder have been duly authorized by and on behalf of the Company, including, without limitation, by all required action by the Board.

7. Termination. The Employee's employment hereunder shall be terminated immediately upon the Employee's death and may be otherwise terminated as follows:

(a) The Employee's employment hereunder may be terminated by the Company for Cause. Any of the following actions by the Employee shall constitute "**Cause**":

(i) The willful failure, disregard or continuing refusal by the Employee to perform his duties hereunder;

(ii) Any act of willful or intentional misconduct, or a grossly negligent act by the Employee having the effect of injuring, in a material way (as determined in good-faith by the Company), the business or reputation of the Company, including but not limited to, any officer, director, or executive of the Company;

(iii) Willful misconduct by the Employee in carrying out his duties or obligations under this Agreement, including, without limitation, insubordination with respect to lawful directions received by the Employee from the Chief Executive Officer or from the Board;

(iv) The Employee's indictment of any felony or a misdemeanor involving moral turpitude (including entry of a *nolo contendere* plea);

(v) The determination by the Company, based upon clear and convincing evidence, after a reasonable and good-faith investigation by the Company following a written allegation by another employee of the Company, that the Employee engaged in some form of harassment prohibited by law (including, without limitation, age, sex or race discrimination);

(vi) Any intentional misappropriation of the property of the Company, or embezzlement of its funds or assets (whether or not a misdemeanor or felony);

(vii) Breach by the Employee of any of the provisions of Sections 5 or 6 of this Agreement or breach by the Employee of the Confidentiality Agreement; and

(viii) Breach by the Employee of any provision of this Agreement other than those contained in Sections 5 or 6 which is not cured by the Employee within thirty (30) business days after notice thereof is given to the Employee by the Company.

(b) The Employee's employment hereunder may be terminated by the Company due to the Employee's Disability. For purposes of this Agreement, a termination for "**Disability**" shall mean that the Employee is unable to perform the essential functions of his job by reason of illness, physical or mental disability or other incapacity, with or without a reasonable accommodation for more than ninety (90) days (which need not be consecutive) within any twelve (12) month period; *provided*, *however*, nothing herein will give the Company the right to terminate the Employee prior to discharging its obligations to the Employee, if any, under the Family and Medical Leave Act, the Americans with Disabilities Act, or any other applicable law.

(c) The Employee's employment hereunder may be voluntarily terminated by the Employee for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean any of the following: (i) any material reduction by the Company of the Employee's duties, responsibilities, or authority; (ii) any material reduction by the Company of the Employee's compensation or benefits payable hereunder (it being understood that a reduction of benefits applicable to all employees of the Company, including the Employee, shall not be deemed a reduction of the Employee's compensation package for purposes of this definition); (iii) any requirement by the Company that the Employee locate Employee's residence or primary place of employment to a location outside a 30-mile radius of such location mutually agreed upon between the Company and the Employee as of the Effective Date, or such other location that the Company and the Employee may mutually agree upon and designate from time to time during the Term; or (iv) a material breach by the Company of Section 6(b) of this Agreement which is not cured by the Company within 30 days after written notice thereof is given to the Company by the Employee. However, notwithstanding the above, Good Reason shall not exist unless: (x) the Employee notifies the Company within ninety (90) days of the initial existence of one of the adverse events described above, and (y) the Company fails to correct the adverse event within thirty (30) days of such notice, and (z) the Employee's voluntary termination because of the existence of one or more of the adverse events described above occurs within 24 months of the initial existence of the event.

(d) The Employee's employment may be terminated by the Company without Cause by delivery of written notice to the Employee effective the date of delivery of such notice.

(e) The Employee's employment may be terminated by the Employee in the absence of Good Reason by delivery of written notice to the Company effective fifteen (15) days after the date of delivery of such notice.

8. Compensation upon Termination.

(a) Accrued Benefits. Upon termination of Employee's employment by either party regardless of the cause or reason, the Employee shall be entitled to the following, referred to herein as the "**Accrued Benefits**": (i) payment for any accrued, unpaid Base Salary through the termination date; (ii) if provided for under the Company's vacation plan or policy or required by applicable law, payment for any accrued, unused vacation days through the termination date; and (iii) reimbursement for any approved business expenses that the Employee has timely submitted for reimbursement in accordance with the Company's business expense reimbursement policy or practice. Except as otherwise expressly provided by this Agreement, the Company shall have no further payment obligations to the Employee and all Equity Awards that have not vested as of the date of termination shall be forfeited to the Company as of such date. Subject to this Section 8, Stock Options that have vested as of the Employee's termination shall remain exercisable for 90 days following such termination.

(b) Severance Benefits. If the Employee's employment is terminated during the Term by the Company without Cause pursuant to Section 8(d), or by the Employee for Good Reason pursuant to Section 8(c), *provided* that the Employee signs and does not revoke a general release of claims against the Company within the time period specified therein (which time period shall not exceed sixty (60) days), in form and substance satisfactory to the Company, and *provided further* that such termination is a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h), then the Company shall provide the following benefits to the Employee, referred to herein as the "**Separation Benefits**": (i) the continued payment in installments of the Employee's then-current Base Salary (less applicable taxes and withholdings) for a period of six (6) months following the date of termination (the "**Separation Pay**"); (ii) all Equity Awards which would have become vested during the six (6) months following the termination date shall accelerate and vest; (iii) the extension of the exercise period for all vested Stock Options to the end of their term; and (iv) *provided* that the Employee properly and timely elects to continue his health insurance benefits under COBRA after the date of termination, reimbursement for the Employee's applicable COBRA premiums for a period of six (6) months or until the Employee becomes eligible for insurance benefits from another employer, whichever is earlier. The first installment of the Separation Pay will be paid on the Company's first regular payday occurring sixty (60) days after the termination date in an amount equal to the sum of payments of Base Salary that would have been paid if he had remained in employment for the period from the termination date through the payment date. The remaining installments will be paid until the end of the six (6)-month period at the same rate as the Base Salary in accordance with the Company's normal payroll practices for its employees. The Employee understands that if he is eligible to receive the Separation Benefits, such Separation Benefits shall be in lieu of and not in addition to any other severance benefits otherwise provided for herein. Notwithstanding the foregoing, if the Employee is entitled to receive the Separation Benefits but violates any provisions of this Agreement, the Confidentiality Agreement or any other agreement entered into by the Employee and the Company after termination of employment, the Company will be entitled to immediately stop paying any further installments of the Separation Benefits. If the Employee's employment is terminated during the Term as a result of the Employee's death, then the Company shall provide to the Employee's estate the continued payment of the Employee's then-current Base Salary for a period of six (6) months following the date of termination, beginning on the Company's first regular payday following the day of such termination.

(c) This Section 8 sets forth the only obligations of the Company with respect to the termination of the Employee's employment with the Company, except as otherwise required by law, and the Employee acknowledges that, upon the termination of his employment, he shall not be entitled to any payments or benefits which are not explicitly provided in Section 8. For purposes of clarification, if the Employee's employment with the Company terminates upon expiration of the Term, the Employee shall only be entitled to receive the Accrued Benefits described in Section 8(a).

(d) The provisions of this Section 8 shall survive any termination of this Agreement.

9. 409A Restrictions. The intent of the parties to this Agreement is that the payments, compensation and benefits under this Agreement be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "**Section 409A**") and, in this connection, the following shall be applicable:

(a) To the greatest extent possible, this Agreement shall be interpreted to be exempt or in compliance with Section 409A.

(b) If any severance, compensation, or benefit required by this Agreement is to be paid in a series of installment payments, each individual payment in the series shall be considered a separate payment for purposes of Section 409A.

(c) If any severance, compensation, or benefit required by this Agreement that constitutes "nonqualified deferred compensation" within the meaning of Section 409A is considered to be paid on account of "separation from service" within the meaning of Section 409A, and the Employee is a "specified employee" within the meaning of Section 409A, no payments of any of such severance, compensation, or benefit shall be made for six (6) months plus one (1) day after such separation from service (the "**New Payment Date**"). The aggregate of any such payments that would have otherwise been paid during the period between the date of separation from service and the New Payment Date shall be paid to the Employee in a lump sum payment on the New Payment Date. Thereafter, any severance, compensation, or benefit required by this Agreement that remains outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement.

(d) The provisions of this Section 9 shall survive any termination of this Agreement.

10. Miscellaneous.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without giving effect to its principles of conflicts of laws.

(b) In the event of any dispute arising out of, or relating to, this Agreement or the breach thereof (other than Sections 5 or 6 hereof), or regarding the interpretation thereof, the parties agree to submit any differences to nonbinding mediation prior to pursuing resolution through the courts. The parties hereby submit to the exclusive jurisdiction of the Courts of New York County, New York, or the United States District Court for the Southern District of New York, and agree that service of process in such court proceedings shall be satisfactorily made upon each other if sent by registered mail addressed to the recipient at the address referred to in Section 10(g) below.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and permitted assigns.

(d) This Agreement, and the Employee's rights and obligations hereunder, may not be assigned by the Employee. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company, including any successors or assigns in connection with any sale, transfer or other disposition of all or substantially all of its business or assets.

(e) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the parties hereto.

(f) The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and such terms, conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(g) All notices, requests, consents and other communications, required or permitted to be given hereunder, shall be in writing and shall be delivered personally or by an overnight courier service or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at the addresses set forth on the first page of this Agreement, and shall be deemed given when so delivered personally or by overnight courier, or, if mailed, five days after the date of deposit in the United States mail. Either party may designate another address, for receipt of notices hereunder by giving notice to the other party in accordance with this Section 10(g).

(h) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(i) As used in this Agreement, "**affiliate**" of a specified person or entity shall mean and include any person or entity controlling, controlled by or under common control with the specified person or entity.

(j) The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(k) This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

[*Remainder of Page Intentionally Left Blank – Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and intend it to be effective as of the Effective Date by proper person thereunto duly authorized.

VENTRUS BIOSCIENCES, INC.

By: /s/ Russell H. Ellison
Name: Russell H. Ellison
Title: Chief Executive Officer

EMPLOYEE

/s/ Uri A. Lopatin
Uri A. Lopatin, MD

[Signature Page to Uri Lopatin Employment Agreement]

EXHIBIT A

EMPLOYMENT AGREEMENT

This EMPLOYMENT AGREEMENT (the "**Agreement**"), is entered into as of July 10, 2014, with an effective date of July 11, 2014 (the "**Effective Date**"), by and between Ventrus Biosciences, Inc., a Delaware corporation with principal executive offices at 99 Hudson Street, 5th Floor, New York, NY 10013 (the "**Company**"), and Lee Arnold, residing at 55 Chestnut Street, Mt. Sinai, NY 11766-2326 (the "**Employee**").

WITNESSETH:

WHEREAS, the Company desires to employ the Employee as Chief Scientific Officer and Vice President, Research and Development, and the Employee desires to accept employment by the Company; and

WHEREAS, the parties desire to enter into this Agreement, setting forth the terms and conditions of the Employee's employment with the Company;

NOW, THEREFORE, in consideration of the mutual covenants and agreements herein contained, the parties hereto hereby agree as follows:

1. Employment.

(a) Services. The Employee will be employed by the Company as its Chief Scientific Officer. The Employee will report to the Company's Chief Operating Officer and President and shall perform such duties as are consistent with a position as Chief Scientific Officer and Vice President, Research and Development (the "**Services**"). The Employee agrees to perform such duties faithfully, to devote substantially all of his working time, attention and energies to the business of the Company, and while he remains employed and subject to the terms of this Agreement, not to engage in any other business activity that is in conflict with his duties and obligations to the Company. Without limiting or derogating from the foregoing, the Company hereby consents to the Employee's business activities in existence as of the Effective Date, as previously disclosed by the Employee to the Company.

(b) Acceptance. The Employee hereby accepts such employment and agrees to render the Services.

2. Term. The Employee's employment under this Agreement shall be "at-will" and shall be deemed to commence on the Effective Date and shall continue in effect until terminated pursuant to Section 8 of this Agreement by either the Company or the Employee (the "**Term**").

3. Best Efforts; Place of Performance.

(a) The Employee shall devote substantially all of his business time, attention and energies to the business and affairs of the Company and shall use his best efforts to advance the best interests of the Company and during the Term shall not be actively engaged in any other business activity, whether or not such business activity is pursued for gain, profit or other pecuniary advantage, that will interfere with the performance by the Employee of his duties hereunder or the Employee's availability to perform such duties or that will adversely affect, or negatively reflect upon, the Company.

(b) The duties to be performed by the Employee hereunder shall be performed at the principal executive offices of the Company during the Term, or such other location as is mutually agreed to in writing by the parties.

4. Compensation. As full compensation for the performance by the Employee of his duties under this Agreement, the Company shall pay the Employee as follows:

(a) Base Salary. The Company shall pay Employee an annual salary (the "**Base Salary**") equal to three hundred fifteen thousand dollars ($315,000) per year. Payment shall be made in accordance with the Company's normal payroll practices. The Base Salary will be subject to periodic review and adjustment in the Company's discretion.

(b) Annual Milestone Bonus. At the sole discretion of the Company's Board of Directors (the "**Board**"), the Employee may receive a discretionary bonus on each anniversary of the Effective Date during the Term (the "**Annual Milestone Bonus**") in an amount up to thirty percent (30%) of his then current Base Salary based on the attainment by the Employee of certain financial, clinical development and business milestones (the "**Milestones**") as established annually by the Board (or a committee thereof), after consultation with the Employee, prior to the start of each anniversary of this Agreement. The Milestones for the first year of this Agreement shall be established by the Board subsequent to, but not more than sixty (60) days following, the Effective Date. The Milestones for each subsequent year shall be established by the Board at least sixty (60) days prior to each anniversary of this Agreement. In order to receive an Annual Milestone Bonus for any given year, the Employee must be actively employed by the Company on the last calendar day of the applicable bonus year. Accordingly, the Employee forfeits any Annual Milestone Bonus for which the Employee might otherwise be eligible if the Employee's employment ends for any reason before the applicable anniversary of the Effective Date. The Annual Milestone Bonus shall be payable either as a lump-sum payment or in installments as determined by the Board in its sole discretion, *provided, however*, if the Board determines to pay the Employee in installments, such installments shall be no less frequently than monthly, and shall be over a time period not to exceed four (4) months, unless otherwise agreed by the Employee in writing. Notwithstanding the foregoing, the Annual Milestone Bonus, if any, for a given year will be paid in full no later than March 15 of the calendar year immediately following the calendar year for which the Annual Milestone Bonus, if any, is earned.

(c) Withholding. The Company shall withhold all applicable federal, state and local taxes, social security and such other amounts as may be required by law from all amounts payable to the Employee under this Section 4.

(d) Equity. Subject to and upon approval by the Board, the Company will grant to the Employee an option to purchase shares of common stock of the Company (the "**Stock Options**"). The Stock Options will be subject to vesting over three years, and will otherwise be subject to the terms and conditions of the Company's stock option plan and a stock option agreement as approved by the Board setting forth the exercise price, vesting conditions and other restrictions. The Stock Options and any subsequently granted equity or derivative securities will be collectively referred to in this Agreement as the "**Equity Awards**."

(e) Expenses. The Company shall reimburse the Employee for all normal, usual and necessary expenses incurred by the Employee in furtherance of the business and affairs of the Company, including reasonable travel and entertainment, upon timely receipt by the Company of appropriate vouchers or other proof of the Employee's expenditures and otherwise in accordance with any expense reimbursement policy as may from time to time be adopted by the Company.

(f) Other Benefits. The Employee shall be entitled to all rights and benefits for which he shall be eligible under any benefit or other plans (including, without limitation, dental, medical, medical reimbursement and hospital plans, pension plans, employee stock purchase plans, profit sharing plans, bonus plans and other so-called "**Fringe Benefits**") as the Company shall make available to other similarly-situated employees from time to time. In addition, if applicable, the Company shall reimburse the Employee for his reasonable licensing fees, continuing professional education, and other professional dues.

(g) Vacation. The Employee shall, during the Term, be entitled to a vacation of four (4) nonconsecutive weeks per annum, in addition to holidays observed by the Company. All vacation time will be earned in accordance with the Company's vacation plan or policy, as it may be instituted from time to time.

5. Confidential Information and Inventions.

(a) The Employee recognizes and acknowledges that in the course of his duties he is likely to receive confidential or proprietary information owned by the Company or third parties with whom the Company has an obligation of confidentiality, relating to and used in the Company's business (collectively, "**Confidential and Proprietary Information**"). Confidential and Proprietary Information shall include, but shall not be limited to, confidential or proprietary scientific or technical information, data, formulas and related concepts, business plans (both current and under development), client lists, promotion and marketing programs, trade secrets, or any other confidential or proprietary business information relating to development programs, costs, revenues, marketing, investments, sales activities, promotions, credit and financial data, manufacturing processes, financing methods, plans or the business and affairs of the Company or of any affiliate or client of the Company, and any and all information relating to the operation of the Company's business which the Company may from time to time designate as confidential or proprietary or that the Employee reasonably knows should be, or has been, treated by the Company as confidential or proprietary. The Employee expressly acknowledges that the Confidential and Proprietary Information constitutes a protectable business interest of the Company. The Employee further agrees that if any information that the Company deems to be a trade secret is found by a court of competent jurisdiction not to be a trade secret, such information will, nevertheless, be considered Confidential and Proprietary Information for purposes of this Agreement. Confidential and Proprietary Information does not include any information that: (i) at the time of disclosure is generally known to, or readily ascertainable by, the public; (ii) becomes known to the public through no fault of the Employee or other violation of this Agreement; or (iii) is disclosed to the Employee by a third party under no obligation to maintain the confidentiality of the information. The Employee agrees, during and after the Term, except as reasonably necessary for the fulfillment of his duties under this Agreement: (i) not to use any such Confidential and Proprietary Information for himself or others; (ii) to keep confidential and not disclose or make accessible to any other person or entity any Confidential and Proprietary Information; and (iii) not to take any Company Confidential and Proprietary Information (including but not limited to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) from the Company's offices at any time. The Employee agrees to return immediately all Company material and reproductions (including but not limited to writings, correspondence, notes, drafts, records, invoices, technical and business policies, computer programs or disks) thereof in his possession to the Company upon termination of employment, or at any time upon the Company's request.

(b) Except with prior written authorization by the Company, the Employee agrees not to disclose or publish any of the Confidential and Proprietary Information, or any confidential, scientific, technical or business information of any other party to whom the Company owes an obligation of confidence, at any time during or after his employment with the Company. The restrictions in this Section 5(b) and in Section 5(a) above will not apply to any information that the Employee is required to disclose by law, provided that the Employee (i) notifies the Company of the existence and terms of such obligation, (ii) gives the Company a reasonable opportunity to seek a protective or similar order to prevent or limit such disclosure, and (iii) only discloses that information actually required to be disclosed.

(c) The Employee agrees that all inventions, discoveries, improvements and patentable or copyrightable works ("**Inventions**") initiated, conceived or made by him, either alone or in conjunction with others, during the course of his employment by the Company or that result from work performed by the Employee for the Company, shall be the sole property of the Company to the maximum extent permitted by applicable law and, to the extent permitted by law, shall be "works made for hire" as that term is defined in the United States Copyright Act (17 U.S.C.A., Section 101). The Company shall be the sole owner of all patents, copyrights, trade secret rights, and other intellectual property or other rights in connection therewith. The Employee hereby assigns to the Company all right, title and interest he may have or acquire in all such Inventions; *provided, however*, that the Board may in its sole discretion agree to waive the Company's rights pursuant to this Section 5(c) with respect to any Invention that is not directly or indirectly related to the Company's business. The Employee further agrees to assist the Company in every proper way (but at the Company's expense) to obtain and from time to time enforce patents, copyrights or other rights on such Inventions in any and all countries, and to that end the Employee will execute all documents necessary:

(i) to apply for, obtain and vest in the name of the Company alone (unless the Company otherwise directs) letters patent, copyrights or other analogous protection in any country throughout the world and when so obtained or vested to renew and restore the same; and

(ii) to defend any opposition proceedings in respect of such applications and any opposition proceedings or petitions or applications for revocation of such letters patent, copyright or other analogous protection.

To the extent this Agreement is required to be construed in accordance with the laws of any state which precludes a requirement to assign certain classes of inventions made by an employee, this Section 5 will be interpreted not to apply to any invention which a court rules and/or the Company agrees falls within such classes.

(d) The Employee acknowledges that, while performing the services under this Agreement the Employee may locate, identify and/or evaluate patented or patentable inventions having commercial potential in the fields of pharmacy, pharmaceutical, biotechnology, healthcare, technology and other fields which may be of potential interest to the Company (the "**Third-Party Inventions**"). The Employee understands, acknowledges and agrees that all rights to, interests in or opportunities regarding, all Third-Party Inventions identified by the Company or its affiliates or either of the foregoing persons' officers, directors, employees (including the Employee), agents or consultants during the Term shall be and remain the sole and exclusive property of the Company or such affiliate and the Employee shall have no rights whatsoever to such Third-Party Inventions and will not pursue for himself or for others any transaction relating to the Third-Party Inventions which is not on behalf of the Company.

(e) The provisions of this Section 5 shall survive any termination or expiration of this Agreement.

6. Non-Competition and Non-Solicitation. The Employee understands and recognizes that his services to the Company are special and unique and that in the course of performing such services the Employee will have access to and knowledge of Confidential and Proprietary Information (as defined in Section 5) and will become knowledgeable of and familiar with the Company's customers as well as the Company's business. The Employee acknowledges that, due to the unique nature of the Company's business, the loss of any of its clients or business flow or the improper use of its Confidential and Proprietary Information could create significant instability and cause substantial damage to the Company and therefore the Company has a strong legitimate business interest in protecting the continuity of its business interests and the restrictions herein agreed to by the Employee narrowly and fairly serve such an important and critical business interest of the Company. Therefore, the Employee covenants and agrees as follows:

(a) Definitions. As used in this Agreement, the following terms have the meanings given to such terms below:

(i) "**Business**" means (A) the development of novel molecules (Core Protein Allosteric Modulators) aimed at hepatitis B core protein for the specific disease treatment of hepatitis B virus (HBV); (B) the development of novel prescription drugs for the specific disease treatment of anal fissures, *provided* that the Company actively engages in such business during the Term; (C) the development of (i) drug products that treat diseases with living bacteria, (ii) oral vaccines and (iii) products that orally deliver bacteria, viruses, complex molecules (such as proteins) and small molecules to the terminal ileum and/or colon; and (D) any other business that the Company is actively engaged in at the time of the date of termination, *provided* that this clause (C) shall only apply if Employee is involved with that other business.

(ii) "**Customer**" means (A) any person or entity who is or was a customer of the Company at the time of, or during the six (6) month period prior to, the date of the Employee's termination and with whom the Employee had dealings on behalf of the Company in the course of his employment with the Company, or about whom the Employee received Confidential and Proprietary Information in the course of his employment with the Company, and (B) any prospective customer to whom, within the six (6) month period prior to the Employee's date of termination, the Company had submitted proposals to for services of which the Employee has knowledge, whether or not such proposals have yet to be executed into contracts, *provided* that, the Company has a legitimate expectation of doing business with such prospective customer, and *provided further* that the Employee has had material business contacts with such prospective customer on behalf of the Company, whether such contact was initiated by the prospective customer or by the Employee.

(iii) "**Company Employee**" means (A) any person who is an employee of the Company at the time of the date of the Employee's termination of employment, and (B) any person who was an employee of the Company during the six (6) month period prior to the termination of Employee's employment.

(iv) "**Person**" means any person, firm, partnership, joint venture, corporation or other business entity.

(v) "**Restricted Period**" means the period commencing on the date of the Employee's termination of employment and ending twelve (12) months thereafter, *provided, however*, that this period will be tolled and will not run during any time the Employee is in violation of this Section 6, it being the intent of the parties that the Restricted Period will be extended for any period of time in which the Employee is in violation of this Section 6.

(vi) "**Restricted Territory**" means any country in which the Company does business as of the Employee's date of termination, including without limitation, each country to which the Employee directed or in which the Employee performed employment-related activities on behalf of the Company at the time of, or during the six (6) month period prior to, the Employee's date of termination and each country in which the Company is actively preparing to conduct business within the six (6) month period immediately following the Employee's date of termination, *provided* that the Employee is materially involved in such preparations; or if that geographic territory is deemed by a court of competent jurisdiction to be overly broad, the United States of America; or if that geographic territory is deemed by a court of competent jurisdiction to be overly broad, any state, province or similar geographic subdivision in which the Company does business as of the Employee's date of termination, including without limitation each state to which the Employee directed or in which the Employee performed employment-related activities on behalf of the Company at the time of, or during the six (6) month period prior to, the date of termination; or if that geographic territory is deemed by a court of competent jurisdiction to be overly broad, the States of New York and Indiana.

(b) Non-Competition. During his employment with the Company, the Employee will not, on his own behalf or on behalf of any other Person, engage in any business competitive with or adverse to that of the Company. In addition, during his employment with the Company and during the Restricted Period, the Employee will not (i) engage in the Business in the Restricted Territory, or (ii) hold a position based in or with responsibility for all or part of the Restricted Territory, with any Person engaging in the Business, whether as an employee, consultant, or otherwise, (A) in which Employee will have duties, or will perform or be expected to perform services for such Person, that is or are the same as or substantially similar to the position held by the Employee or those duties or services actually performed by the Employee for the Company within the twelve (12) month period immediately preceding the Employee's date of termination, or (B) in which the Employee will use or disclose or be reasonably expected to use or disclose any Confidential and Proprietary Information of the Company for the purpose of providing, or attempting to provide, such Person with a competitive advantage with respect to the Business. For purposes of clarification, nothing contained in this Section 6(b) shall be deemed to prohibit the Employee from acquiring or holding, solely for investment, publicly traded securities of any corporation, some or all of the activities of which are competitive with the business of the Company so long as such securities do not, in the aggregate, constitute more than five percent (5%) of any class or series of outstanding securities of such corporation.

(c) Non-Solicitation. During his employment with the Company and during the Restricted Period, the Employee will not, directly or indirectly, on the Employee's own behalf or on behalf of any other Person:

(i) Call upon, solicit, divert, encourage or attempt to call upon, solicit, divert or encourage any Customer for purposes of marketing, selling or providing products or services to such Customer that are similar to or competitive with those offered by the Company;

(ii) Induce, encourage or attempt to induce or encourage any Customer to reduce, limit or cancel its business with the Company;

(iii) Induce, encourage or attempt to induce or encourage any Customer to purchase or accept products or services competitive with those offered by the Company from any Person (other than the Company) engaging in the Business;

(iv) Otherwise interfere or engage in any conduct that would have the effect of interfering, in any manner, with the business relationship between the Company and any of the Company's Customers; or

(v) Solicit, induce, or attempt to solicit or induce any Company Employee or any independent contractor (who is then engaged by the Company or was engaged by the Company in the prior six (6) months) to terminate his or her employment or engagement with the Company or to accept employment or engagement with any Person engaging in the Business within the Restricted Territory.

(d) Direct Employment or Engagement by Customer. During his employment with the Company and during the Restricted Period, the Employee will not be employed or engaged (as an employee, contractor, consultant or otherwise) directly by, or solicit employment or engagement by, any Person who, during the Term of this Agreement, was an agent or Customer of the Company with whom the Employee worked during his employment with the Company in a position or capacity in which the Employee will be performing services for such Customer that are the same as, or substantially similar to, those services provided by Employee for the Customer during the Employee's employment with the Company. For the avoidance of doubt, the terms "agent" and "Customer" will not include any investment bank, investor, lender or other financial intermediary which may represent, invest in or otherwise deal with the Company.

(e) Enforcement. In the event that the Employee breaches or threatens to breach any provisions of Section 5 or this Section 6, then the Company will suffer irreparable harm and monetary damages would be inadequate to compensate the Company. Accordingly, in addition to any other rights which the Company may have, the Company shall (i) be entitled, without the posting of bond or other security, to seek injunctive relief to enforce the restrictions contained in such Sections and (ii) have the right to require the Employee to account for and pay over to the Company all compensation, profits, monies, accruals, increments and other benefits (collectively "**Benefits**") derived or received by the Employee as a result of any transaction constituting a breach of any of the provisions of Sections 5 or 6, to the maximum extent permitted by law.

(f) Reasonableness and Severability. Each of the rights and remedies enumerated in Section 6(e) shall be independent of the others and shall be in addition to and not in lieu of any other rights and remedies available to the Company at law or in equity. The Employee hereby acknowledges and agrees that the covenants provided for pursuant to Section 6 are essential elements of the Employee's employment by the Company and are reasonable with respect to their duration, geographic area and scope and in all other respects. If, at the time of enforcement of this Section 6, a court of competent jurisdiction holds that the restrictions stated herein are unreasonable under the circumstances then existing, the parties hereto agree that the maximum duration, scope or geographic area legally permissible under such circumstances will be substituted for the duration, scope or area stated herein. If any of the covenants contained in this Section 6, or any part of any of them, is hereafter construed or adjudicated to be invalid or unenforceable, the same shall not affect the remainder of the covenant or covenants or rights or remedies which shall be given full effect without regard to the invalid portions. No such holding of invalidity or unenforceability in one jurisdiction shall bar or in any way affect the Company's right to the relief provided in this Section 6 or otherwise in the courts of any other state or jurisdiction within the geographical scope of such covenants as to breaches of such covenants in such other respective states or jurisdictions, such covenants being, for this purpose, severable into diverse and independent covenants.

(g) Remedies. In the event that an actual proceeding is brought in equity to enforce the provisions of Section 5 or this Section 6, the Employee shall not urge as a defense that there is an adequate remedy at law nor shall the Company be prevented from seeking any other remedies which may be available. The Employee agrees that he shall not raise in any proceeding brought to enforce the provisions of Section 5 or this Section 6 that the covenants contained in such Sections limit his ability to earn a living.

(h) Survival. The provisions of this Section 6 shall survive any termination of this Agreement.

7. Representations and Warranties.

(a) The Employee hereby represents and warrants to the Company as follows:

(i) Neither the execution or delivery of this Agreement nor the performance by the Employee of his duties and other obligations hereunder violate or will violate any statute, law, determination or award, or conflict with or constitute a default or breach of any covenant or obligation under (whether immediately, upon the giving of notice or lapse of time or both) any prior employment agreement, contract, or other instrument to which the Employee is a party or by which he is bound.

(ii) The Employee has the full right, power and legal capacity to enter and deliver this Agreement and to perform his duties and other obligations hereunder. This Agreement constitutes the legal, valid and binding obligation of the Employee enforceable against him in accordance with its terms. No approvals or consents of any persons or entities are required for the Employee to execute and deliver this Agreement or perform his duties and other obligations hereunder.

(b) The Company hereby represents and warrants to the Employee that this Agreement and the employment of the Employee hereunder have been duly authorized by and on behalf of the Company, including, without limitation, by all required action by the Board.

8. Termination. The Employee's employment hereunder shall be terminated immediately upon the Employee's death and may be otherwise terminated as follows:

(a) The Employee's employment hereunder may be terminated by the Company for Cause. Any of the following actions by the Employee shall constitute "**Cause**":

(i) The willful failure, disregard or continuing refusal by the Employee to perform his duties hereunder;

(ii) Any act of willful or intentional misconduct, or a grossly negligent act by the Employee having the effect of injuring, in a material way (as determined in good-faith by the Company), the business or reputation of the Company, including but not limited to, any officer, director, or executive of the Company;

(iii) Willful misconduct by the Employee in carrying out his duties or obligations under this Agreement, including, without limitation, insubordination with respect to lawful directions received by the Employee from the Chief Executive Officer or from the Board;

(iv) The Employee's indictment of any felony or a misdemeanor involving moral turpitude (including entry of a *nolo contendere* plea);

(v) The determination by the Company, based upon clear and convincing evidence, after a reasonable and good-faith investigation by the Company following a written allegation by another employee of the Company, that the Employee engaged in some form of harassment prohibited by law (including, without limitation, age, sex or race discrimination);

(vi) Any intentional misappropriation of the property of the Company, or embezzlement of its funds or assets (whether or not a misdemeanor or felony);

(vii) Breach by the Employee of any of the provisions of Sections 5, 6 or 7 of this Agreement; and

(viii) Breach by the Employee of any provision of this Agreement other than those contained in Sections 5, 6 or 7 which is not cured by the Employee within thirty (30) business days after notice thereof is given to the Employee by the Company.

(b) The Employee's employment hereunder may be terminated by the Company due to the Employee's Disability. For purposes of this Agreement, a termination for "**Disability**" shall mean that the Employee is unable to perform the essential functions of his job by reason of illness, physical or mental disability or other incapacity, with or without a reasonable accommodation for more than ninety (90) days (which need not be consecutive) within any twelve (12) month period; *provided, however*, nothing herein will give the Company the right to terminate the Employee prior to discharging its obligations to the Employee, if any, under the Family and Medical Leave Act, the Americans with Disabilities Act, or any other applicable law.

(c) The Employee's employment hereunder may be voluntarily terminated by the Employee for Good Reason. For purposes of this Agreement, "**Good Reason**" shall mean any of the following: (i) any material reduction by the Company of the Employee's duties, responsibilities, or authority; (ii) any material reduction by the Company of the Employee's compensation or benefits payable hereunder (it being understood that a reduction of benefits applicable to all employees of the Company, including the Employee, shall not be deemed a reduction of the Employee's compensation package for purposes of this definition); (iii) any requirement by the Company that the Employee locate Employee's residence or primary place of employment to a location outside a 30-mile radius of such location mutually agreed upon between the Company and the Employee as of the Effective Date, or such other location that the Company and the Employee may mutually agree upon and designate from time to time during the Term; or (iv) a material breach by the Company of Section 7(b) of this Agreement which is not cured by the Company within 30 days after written notice thereof is given to the Company by the Employee. However, notwithstanding the above, Good Reason shall not exist unless: (x) the Employee notifies the Company within ninety (90) days of the initial existence of one of the adverse events described above, and (y) the Company fails to correct the adverse event within thirty (30) days of such notice, and (z) the Employee's voluntary termination because of the existence of one or more of the adverse events described above occurs within 24 months of the initial existence of the event.

(d) The Employee's employment may be terminated by the Company without Cause by delivery of written notice to the Employee effective the date of delivery of such notice.

(e) The Employee's employment may be terminated by the Employee in the absence of Good Reason by delivery of written notice to the Company effective fifteen (15) days after the date of delivery of such notice.

9. Compensation upon Termination.

(a) Accrued Benefits. Upon termination of the Employee's employment by either party regardless of the cause or reason, the Employee shall be entitled to the following, referred to herein as the "**Accrued Benefits**": (i) payment for any accrued, unpaid Base Salary through the termination date; (ii) if provided for under the Company's vacation plan or policy or required by applicable law, payment for any accrued, unused vacation days through the termination date; and (iii) reimbursement for any approved business expenses that the Employee has timely submitted for reimbursement in accordance with the Company's business expense reimbursement policy or practice. Except as otherwise expressly provided by this Agreement, the Company shall have no further payment obligations to the Employee and all Equity Awards that have not vested as of the date of termination shall be forfeited to the Company as of such date. Subject to this Section 9, Stock Options that have vested as of the Employee's termination shall remain exercisable for 90 days following such termination.

(b) Severance Benefits. If the Employee's employment is terminated during the Term by the Company without Cause pursuant to Section 8(d), or by the Employee for Good Reason pursuant to Section 8(c), *provided* that the Employee signs and does not revoke a general release of claims against the Company within the time period specified therein (which time period shall not exceed sixty (60) days), in form and substance satisfactory to the Company, and *provided further* that such termination is a "separation from service" within the meaning of Treasury Regulation § 1.409A-1(h), then the Company shall provide the following benefits to the Employee, referred to herein as the "**Separation Benefits**": (i) the continued payment in installments of the Employee's then-current Base Salary (less applicable taxes and withholdings) for a period of six (6) months following the date of termination (the "**Separation Pay**"); (ii) all Equity Awards which would have become vested during the six (6) months following the termination date shall accelerate and vest; (iii) the extension of the exercise period for all vested Stock Options to the end of their term; and (iv) *provided* that the Employee properly and timely elects to continue his health insurance benefits under COBRA after the date of termination, reimbursement for the Employee's applicable COBRA premiums for a period of six (6) months or until the Employee becomes eligible for insurance benefits from another employer, whichever is earlier. The first installment of the Separation Pay will be paid on the Company's first regular payday occurring sixty (60) days after the termination date in an amount equal to the sum of payments of Base Salary that would have been paid if he had remained in employment for the period from the termination date through the payment date. The remaining installments will be paid until the end of the six (6)-month period at the same rate as the Base Salary in accordance with the Company's normal payroll practices for its employees. The Employee understands that if he is eligible to receive the Separation Benefits, such Separation Benefits shall be in lieu of and not in addition to any other severance benefits otherwise provided for herein. Notwithstanding the foregoing, if the Employee is entitled to receive the Separation Benefits but violates any provisions of this Agreement or any other agreement entered into by the Employee and the Company after termination of employment, the Company will be entitled to immediately stop paying any further installments of the Separation Benefits. If the Employee's employment is terminated during the Term as a result of the Employee's death, then the Company shall provide to the Employee's estate the continued payment of the Employee's then-current Base Salary for a period of six (6) months following the date of termination, beginning on the Company's first regular payday following the day of such termination.

(c) This Section 9 sets forth the only obligations of the Company with respect to the termination of the Employee's employment with the Company, except as otherwise required by law, and the Employee acknowledges that, upon the termination of his employment, he shall not be entitled to any payments or benefits which are not explicitly provided in Section 9. For purposes of clarification, if the Employee's employment with the Company terminates upon expiration of the Term, the Employee shall only be entitled to receive the Accrued Benefits described in Section 9(a).

(d) The provisions of this Section 9 shall survive any termination of this Agreement.

10. 409A Restrictions. The intent of the parties to this Agreement is that the payments, compensation and benefits under this Agreement be exempt from or comply with Section 409A of the Internal Revenue Code of 1986, as amended, and the regulations and guidance promulgated thereunder (collectively, "**Section 409A**") and, in this connection, the following shall be applicable:

(a) To the greatest extent possible, this Agreement shall be interpreted to be exempt or in compliance with Section 409A.

(b) If any severance, compensation, or benefit required by this Agreement is to be paid in a series of installment payments, each individual payment in the series shall be considered a separate payment for purposes of Section 409A.

(c) If any severance, compensation, or benefit required by this Agreement that constitutes "nonqualified deferred compensation" within the meaning of Section 409A is considered to be paid on account of "separation from service" within the meaning of Section 409A, and the Employee is a "specified employee" within the meaning of Section 409A, no payments of any of such severance, compensation, or benefit shall made for six (6) months plus one (1) day after such separation from service (the "**New Payment Date**"). The aggregate of any such payments that would have otherwise been paid during the period between the date of separation from service and the New Payment Date shall be paid to the Employee in a lump sum payment on the New Payment Date. Thereafter, any severance, compensation, or benefit required by this Agreement that remains outstanding as of the day immediately following the New Payment Date shall be paid without delay over the time period originally scheduled, in accordance with the terms of this Agreement.

(d) The provisions of this Section 10 shall survive any termination of this Agreement.

11. Miscellaneous.

(a) This Agreement shall be governed by, and construed and interpreted in accordance with, the laws of the State of New York, without giving effect to its principles of conflicts of laws.

(b) In the event of any dispute arising out of, or relating to, this Agreement or the breach thereof (other than Sections 5 or 6 hereof), or regarding the interpretation thereof, the parties agree to submit any differences to nonbinding mediation prior to pursuing resolution through the courts. The parties hereby submit to the exclusive jurisdiction of the Courts of New York County, New York, or the United States District Court for the Southern District of New York, and agree that service of process in such court proceedings shall be satisfactorily made upon each other if sent by registered mail addressed to the recipient at the address referred to in Section 11(g) below.

(c) This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective heirs, legal representatives, successors and permitted assigns.

(d) This Agreement, and the Employee's rights and obligations hereunder, may not be assigned by the Employee. The rights and obligations of the Company under this Agreement shall inure to the benefit of and shall be binding upon the successors and assigns of the Company, including any successors or assigns in connection with any sale, transfer or other disposition of all or substantially all of its business or assets.

(e) This Agreement cannot be amended orally, or by any course of conduct or dealing, but only by a written agreement signed by the parties hereto.

(f) The failure of either party to insist upon the strict performance of any of the terms, conditions and provisions of this Agreement shall not be construed as a waiver or relinquishment of future compliance therewith, and such terms, conditions and provisions shall remain in full force and effect. No waiver of any term or condition of this Agreement on the part of either party shall be effective for any purpose whatsoever unless such waiver is in writing and signed by such party.

(g) All notices, requests, consents and other communications, required or permitted to be given hereunder, shall be in writing and shall be delivered personally or by an overnight courier service or sent by registered or certified mail, postage prepaid, return receipt requested, to the parties at the addresses set forth on the first page of this Agreement, and shall be deemed given when so delivered personally or by overnight courier, or, if mailed, five days after the date of deposit in the United States mail. Either party may designate another address, for receipt of notices hereunder by giving notice to the other party in accordance with this Section 11(g).

(h) This Agreement sets forth the entire agreement and understanding of the parties relating to the subject matter hereof, and supersedes all prior agreements, arrangements and understandings, written or oral, relating to the subject matter hereof. No representation, promise or inducement has been made by either party that is not embodied in this Agreement, and neither party shall be bound by or liable for any alleged representation, promise or inducement not so set forth.

(i) As used in this Agreement, "**affiliate**" of a specified person or entity shall mean and include any person or entity controlling, controlled by or under common control with the specified person or entity.

(j) The section headings contained herein are for reference purposes only and shall not in any way affect the meaning or interpretation of this Agreement.

(k) This Agreement may be executed in any number of counterparts, each of which shall constitute an original, but all of which together shall constitute one and the same instrument.

[*Remainder of Page Intentionally Left Blank – Signature Page Follows*]

IN WITNESS WHEREOF, the parties hereto have executed this Agreement and intend it to be effective as of the Effective Date by proper person thereunto duly authorized.

VENTRUS BIOSCIENCES, INC.

By: /s/ Russell H. Ellison
Name: Russell H. Ellison
Title: Chief Executive Officer

EMPLOYEE

/s/ Lee Arnold
Lee Arnold

Exhibit 23.1

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in the Registration Statements of Assembly Biosciences, Inc. (a development-stage company) on Form S-3 (Nos. 333-179259 and 333-181498) and Form S-8 (Nos. 333-173613 and 333-182167) of our report dated May 14, 2014, on our audit of the financial statements of Assembly Pharmaceuticals, Inc. as of December 31 2013 and 2012, and for the year ended December 31, 2013, the period from September 18, 2012 (date of inception) through December 31, 2012 and for the cumulative period from September 18, 2012 (date of inception) through December 31, 2013, which report is included in the Definitive Proxy Statement on Schedule 14A filed on June 9, 2014. Our report includes an emphasis of matter paragraph about the existence of substantial doubt concerning the Company's ability to continue as a going concern. We also consent to the reference to our firm under the caption “Experts” in the Registration Statements on Form S-3.

/s/ EisnerAmper LLP

New York, New York
July 11, 2014

Ventrus Biosciences Becomes Assembly Biosciences as Stockholders Approve Merger with Assembly Pharmaceuticals, Inc.

Stockholders Approve Issuance of Common Stock in Connection with the Merger, a Reverse Stock Split and Company Name Change

NEW YORK, JULY 14, 2014 (GLOBE NEWSWIRE) -- Ventrus Biosciences, Inc. (Nasdaq: VTUS) today announced that its stockholders have approved the issuance of common stock in connection with the merger between Ventrus and Assembly Pharmaceuticals, Inc. in an all-stock transaction. The merger was effective at 5:00 p.m. ET on July 11, 2014.

Ventrus stockholders also approved a 1-for-5 reverse stock split and the change of the name of the company to Assembly Biosciences, Inc., both of which were effective at 5:01 p.m. ET on July 11, 2014. On Monday, July 14, 2014, the common stock of Assembly Biosciences, Inc. will begin trading under the ticker “ASMB.”

Assembly Biosciences is focusing on the development of its novel Core Protein Allosteric Modulators (CpAMs), small molecules to treat, and potentially cure, hepatitis B infection (HBV). HBV is an underappreciated global epidemic with more than 350 million people worldwide chronically infected. Chronic HBV causes cirrhosis and liver failure and is a leading cause of liver cancer, contributing to an estimated 600,000 deaths each year. Current treatments can suppress the infection but require lifelong therapy since fewer than 10% of infections are currently cured. The company is also developing novel microbiome-based approaches to treat intractable infections of the gastrointestinal (GI) tract, such as *C. difficile* infections.

“We believe that the strong support of our shareholders for this merger reflects the potential of the novel antiviral technology that is the scientific foundation of our new company,” said Dr. Russell Ellison, Chief Executive Officer and Chairman of Ventrus Biosciences and now of Assembly Biosciences. “The combined companies bring a wealth of talent and experience to the development and commercialization of our potentially curative approach to hepatitis B, an underserved disease that afflicts hundreds of millions of people worldwide.”

“Joining forces with the experienced Ventrus team offered us the best opportunity to enlarge and accelerate our ambitious plans to develop our potentially breakthrough HBV program,” said Derek Small, co-founder and former Chief Executive Officer of Assembly Pharmaceuticals and President and Chief Operating Officer of Assembly Biosciences. “The combined teams are already working as one, and we look forward to advancing the CpAM program into human clinical trials as expeditiously as possible.”

About Assembly Biosciences
Assembly Biosciences, Inc. is a biopharmaceutical company developing novel therapies for infectious diseases and other disorders of the gastrointestinal (GI) system. Assembly’s proprietary Core Protein Allosteric Modulators (CpAMs) are small molecule, oral agents for the treatment of viral infections. The company’s lead program focuses on hepatitis B (HBV), which infects an estimated 350 million people worldwide and is associated with 600,000 deaths annually. CpAMs alter the HBV core protein, a unique target that is essential to the functioning of the virus. Unlike current therapies that only suppress HBV, CpAMs may have curative potential. Assembly also is developing novel microbiome-based technology for targeted oral delivery of therapeutic bacteria, complex proteins, viral antigens and small molecules to treat intractable infectious diseases of the GI tract, such as *C. difficile* infections.

Cautionary Statement Regarding Forward-Looking Statements
Please Note: The information provided herein contains estimates and other forward-looking statements regarding future events. Such statements are just predictions and are subject to risks and uncertainties that could cause the actual events or results to differ materially. These risks and uncertainties include, among others: the benefits of the Assembly merger; the risk that the businesses will not be integrated successfully; the components, timing, cost and results of clinical trials and other development activities involving our product candidates; the unpredictability of the clinical development of our product candidates and of the duration and results of regulatory review of those candidates by the FDA and foreign regulatory authorities; the unpredictability of the size of the markets for, and market acceptance of, any of our products; our anticipated capital expenditures, our estimates regarding our capital requirements, and our need for future capital; our ability to retain and hire necessary employees and to staff our operations appropriately; and the possible impairment of, or inability to obtain, intellectual property rights and the costs of obtaining such rights from third parties. The reader is referred to the documents that we file from time to time with the Securities and Exchange Commission.

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