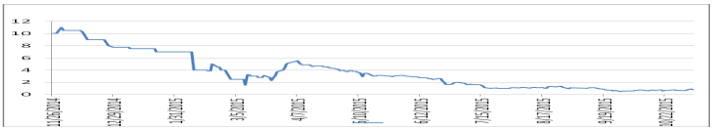
Nemus Bioscience Inc.

OTC: NMUS

Nemus's disruptive Glaucoma drug is likely to take market share at favorable pricing.

Nemus Bioscience, Inc., is a biopharmaceutical company, focused on the discovery, development, and commercialization of cannabinoid-based therapeutics. The Company's goal is to develop regulatory approved medicinal products for the treatment of glaucoma and ophthalmic-related disorders, infectious diseases, as well as diseases of the nervous system like epilepsy, neuropathic pain , and multiple sclerosis. .

1) NMUS is targeting glaucoma, a $2.3 Bn US market and $8 Bn global market (both of which are growing with aging populations). The lead compound, NB1111, is a pro-drug of THC with a competitive advantage for treating glaucoma as NB1111 has enhanced bioavailability versus cannabinoid parent molecules. **We forecast potential revenue of ~ $194M in 2023 and the start of sustainable corporate profitability.**
2) NMUS's glaucoma competitive environment is favorable given that cannabinoid molecules work via multiple mechanisms of action versus drugs already approved or those also in development that rely on a single MOA. Further, if clinical data is favorable, we anticipate NMUS's NB1111 will be active across the spectrum of measured intraocular pressures (IOPs) and effective in all races. In addition, if the data demonstrates NB1111 provides neuroprotection of retinal ganglion cells (RGCs), that would add more market share and pricing power given that no drug on the market combines both optimally.
3) NMUS's relationship with the University of Mississippi (UM) provides NMUS with a competitive advantage in cannabinoid-derived products as UM is the only U.S. entity authorized by the Federal government to cultivate cannabis for research over the last 45 years. In addition, UM has developed an improved formulation versus prior approaches using cannabinoid parent molecules leading to issued patents covering composition of matter, production, and methods of use.
4) Nemus has a management team and board of directors with proven pharmaceutical- and biotech-development, and public company experience on a global scale.
5) Factors protecting the downside: (a) Patent issued for NB1111 has an above average lifecycle runway at this stage of development, (b) THC, the active drug moiety, has already shown activity in human patients with glaucoma, (c) Clinical trials for glaucoma are typically of shorter duration and smaller in size versus drug testing in other indications, (d) a majority of business development deals in glaucoma occur early in the development cycle, between preclinical and Phase 2.



MIDTOWN PARTNERS & CO, LLC

Rating	**Strong Buy**
Risk Rating	**Speculative**
Current Price (Nov 9, 2015)	**$0.78**
12-month Price Target	**$2.48**
Implied dividend yield	**0%**
Projected total return	**+218%**
Shares outstanding (M)	19.4
Market capitalization (M)	$12.4
Long term debt (MRQ)	$0.00
Cash (MRQ)	$0.60*
Enterprise value	$11.8
Price/Book	NM
Rev Estimate (2023)	$194.0
*Cash as of June 30, 2015	
Float as % of shares out.	0%
Short interest as % of Float	0%
Insider ownership	95.3%
Institutional ownership	2.5%
Tangible book value p/s	$0.00
Cash/share	$0.03

Revenue (M)				
Dec	2015A	2016E	2017E	2018E
Q1	NM	NM	NM	NM
Q2	NM	NM	NM	NM
Q3	NM	NM	NM	NM
Q4	NM	NM	NM	NM
FY	NM	NM	NM	NM

EBITDA (M)				
	2014A	2015E	2016E	2017E
Q1	NM	NM	NM	NM
Q2	NM	NM	NM	NM
Q3	NM	NM	NM	NM
Q4	NM	NM	NM	NM
FY	NM	NM	NM	NM

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I. Investment Thesis

1. NB1111 likely has a competitive advantage for the treatment of glaucoma

NB1111 appears to have a competitive advantage for treating glaucoma as this class of compound has been shown to possess multiple mechanisms of action in reducing IOP (increase fluid outflow and decrease fluid production); as well as possessing a degree of neuroprotection in both in vitro and in vivo testing. Topical administration of this cannabinoid pro-drug directly onto the eye (eye drop) in animal models has demonstrated greater bioavailability in multiple chambers of the eye versus using the highly lipophilic parent THC molecule. The NMUS pro-drug of THC in the rabbit glaucoma model was found to decrease IOP by 45-50%; a level better than that seen using currently approved medications in similar animal models and consistent with results seen with humans exposed to systemic THC via smoking.

Human Market Size

The U.S. market size of glaucoma is estimated to be 2.3M patients, of which it is estimated more than half are currently taking two or more medications to manage their glaucoma. Extended exposure to the currently approved medications results in a diminution in long-term drug response and patients ultimately need other medications that lower IOP added to their regimen. In this way, the current glaucoma market resembles a “nonresponder” market where multiple types of medications, based on their mechanism of action, ultimately get prescribed to manage the disease as efficacy wanes among initial use medications. Having a medication that impacts this disease through multiple mechanisms of action is an important positive for NMUS.

Management, in modeling the glaucoma market, has projected at least a 10% market penetration (230k patients), which is a conservative projection for a drug that could potentially lower IOP >40%, especially if NMUS can demonstrate that NB1111 achieves some level of neuroprotection. Neuroprotection is the “holy grail” of glaucoma therapy and the fact that this has been demonstrated with cannabinoids in experimental models of retinal ganglion cell (RGC) apoptosis supports the Company’s efforts to explore this outcome. Using the Company’s projected 10% market penetration and assuming treatment costs of $250/month or $3,000 a year for 230k people this would translate into revenue of ~$700M during peak sales years.

2. If NMUS has favorable clinical trials it may gain pricing power and market share

NMUS's competition of generic drugs and unsuccessful novel technologies leave an opportunity for pricing power as well as market share. No new class of medicine has been introduced since Pfizer Inc’s Xalatan, known generically as latanoprost, in 1996. Prostaglandins are the most widely-prescribed glaucoma drugs. They include latanoprost, Alcon’s Travatan, and Allergan’s Lumigan.

A NMUS competitor, Aerie (AERI - NR), has a drug currently undergoing Phase 3 clinical trials testing. The AERI program is built around the use of Rho kinase inhibitors (ROCK) to enhance drainage through the trabecular meshwork of the eye. An early Phase 3 study of AERI's once-daily Rhopressa failed to demonstrate non-inferiority to a beta-blocker comparison that is dosed twice daily. Post-hoc statistical analyses by AERI found that patients with a baseline IOP of 22-25 mmHg performed best while those with more elevated IOP displayed less robust data. AERI was successful in having the FDA "move the goalposts" for the statistical analysis plan in subsequent Phase 3 studies that are ongoing. That data is pending.

Market projections of the baseline IOP among glaucoma patients have been based on the Baltimore Eye Study, which was conducted among 5308 subjects in east Baltimore from January 1985 to November 1988. Of that cohort studied, only 196 qualified as having glaucoma. When patients underwent two or more IOP assessments, at least half had elevations in IOP exceeding 24 mmHg. Given that the eye has a significant density of cannabinoid receptors, the Company anticipates that NB1111 could work across the spectrum of elevated baseline IOP, making this drug highly competitive.

In addition, if NMUS finds that testing confirms the neuroprotective element of cannabinoids on the retinal ganglion cells, then this drug has the potential to eclipse some uses of other drugs. This factor, when combined with lower IOP, would give NMUS a superior product profile.

3. NMUS's exclusive agreement with University of Mississippi

NMUS has licensed the rights to a novel THC pro-drug. The recently issued patent contains claims for composition of matter, formulation, delivery and method of use. The Company has entered into multiple license agreements and research agreements for specific formulations and corresponding delivery methods. NMUS has perpetual, worldwide exclusivity for all compounds and targets in-licensed from UM. UM provides over 45 years of knowledge and experience in the science of cannabinoids and the lead researcher in the cannabinoid research program also serves on the Company Scientific Advisory Board. In March, 2015, NIDA renewed a five-year contract with UM to continue to serve as the sole entity in the United States to cultivate cannabis in accordance with the Single Convention Treaty enacted by over 100 countries in the late 1960's.

4. NMUS has a strong management team with depth in experience

Nemus has a management team and board of directors with proven pharmaceutical- and biotech-development, and public company experience on a global scale (see Figure 3 on page 8).

5. Factors protecting the downside for investors include:

a) The patent issued for NB1111 has an above average runway (19 years) given the stage of product development. The Company also plans to file more IP surrounding the

composition of matter, routes of administration and methods of use for future cannabinoidal molecules. Given the unique relationship with UM, the Company can draw from more than 45 years of intellectual capital in the cannabinoid space to increase the depth and reach of their pipeline IP.

b) An often underappreciated factor central to risk mitigation is that THC has already been shown to lower IOP in patients with glaucoma. The route of delivery was systemic exposure and administration of the cannabinoid via smoking or edibles can be problematic since THC delivered through smoking has a short half-life of activity (45-95 minutes) or poor bioavailability when delivered through the gastrointestinal tract (6%-15%). Direct topical administration of THC as a pro-drug allows substantive tissue penetration based on animal data with concurrent lowering of IOP. The half-life of the formulation tested in the rabbit model would allow for three to four times daily administration but the Company has issued guidance that they are testing a formulation that could allow once-daily dosing.

c) The Regulatory pathway is well-defined and the potential for “urgent medical need” and “breakthrough therapy” designations is a strong possibility. These designations are associated with the “fast-track” FDA approval process leading to a commitment by the Agency to cut the time needed for an NDA review to six months.

d) The completion of a business development deal with a partner is not uncommon in the ophthalmology space, especially deals early in the development cycle (see Figure 9) Given the product profile for NB1111, with the added ability for neuroprotection, the drug should attract deal attention from incumbents, especially those with a global footprint in this therapeutic space. We look to NMUS to strike a co-development deal with a larger partner, possibly as early as after successful completion of IND-enabling studies as animal data historically has been shown to be predictive of the human experience.

e) The ocular competitive environment is favorable. Cannabinoid competitors are minimally active in ocular indications. With proprietary formulations of cannabinoids geared to both ocular and systemic delivery, NMUS is uniquely positioned to establish a pure-play ophthalmology franchise that could be partnered or out-licensed and it would not necessarily directly impact development or pricing of systemically administered formulations. Eye disease uniformly poses an urgent medical need and spans the geography of the eye with glaucoma and uveitis in the anterior compartment and various optic neuropathies and macular degeneration based primarily in the posterior compartment. With successful development of pro-drugs for THC and CBD, NMUS could potentially be spun off into two independent companies; an eye disease franchise and one that focuses on systemic delivery of cannabinoids for less localized diseases yielding significant shareholder value.

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are associated with the “fast-track” FDA approval process leading to a commitment by the Agency to cut the time needed for an NDA review to six months.

II. Company Description

Nemus Bioscience, Inc., a biopharmaceutical company, focuses on the discovery, development, and commercialization of cannabinoid-based therapeutics (cannabinoids are chemically diverse compounds that are extracted from the cannabis plant). It is developing therapeutic products for the treatment of glaucoma and other optic nerve-related disorders, conditions associated with muscle spasticity, anxiety, epilepsy, and methicillin-resistant staphylococcus aureus. The company was founded in 2012 and is headquartered in Costa Mesa, California. The scientific problem that NMUS proposes to solve is improved bioavailability and pharmacokinetics for cannabinoid-based medicines leading to optimized efficacy and enhanced safety in various medical indications. A commercial challenge NMUS will face in the glaucoma market is whether the clinical trial data from patients using NB1111, their lead ocular compound, will be significant enough over the incumbent generic field to positively affect pricing. A challenge for NMUS will be raising the necessary capital ($15M) to grow the business through 2017 and subsequently up list to the NASDAQ or NYSE.

Research and Development

NMUS relies on its relationship with UM for its discovery and research programs. Under the terms of its agreements with UM, NMUS is required to fund preclinical and clinical trials required to bring cannabinoid-based products discovered by UM to commercialization. If Nemus were to terminate its agreements, NMUS would be required to return all the rights, materials, and data developed during the partnership to UM. In addition, the agreements provide that all intellectual property rights (including any patents and non-manufacturing related know-how) that was conceived by UM or NMUS during the course of the collaboration is to be jointly owned by UM and NMUS.

Patents and Non-Patent Exclusivity Rights

As of the issuance date of this report, NMUS has licensed from UM two U.S. patents (US 6,375,963 and US 8,809,261). In addition to those licenses, NMUS has one trademark application pending in the United States for Nemus Bioscience, Inc. NMUS also relies upon unpatented trade secrets and know-how and continuing technological innovation to develop and maintain its proprietary and intellectual property position.

On 9/29/14, the company executed three license agreements for UM 1490, UM 5070 and UM 8790, respectively, which contain certain milestone and royalty payments, as defined therein. These licenses also require the Company to reimburse UM for patent costs (immaterial) incurred related to these products under license.

On 10/22/15, NMUS announced the awarding of a patent in Japan for NMUS's lead compound and associated pro-drugs of THC. The news implies that NMUS can target the Glaucoma market in Japan. Given that 80-90% of Japans patients have normotensive glaucoma, a condition were neuroprotection of the eye is more of an issue than elevated IOP, NMUS's pro-drug of THC could provide a strategic advantage by capitalizing on cannabinoids ability to provide neuroprotective properties (Source: Interview with management).

Product Candidates Under Development

NMUS focuses on the development of early stage product candidates based on proprietary cannabinoid formulations. Specifically, UM's research to date has indicated that proprietary cannabinoid chemistry coupled with the innovative, alternative delivery methods that bypass initial liver metabolism (first-pass metabolism), such as ocular, transmucosal (buccal), nasal, transdermal and trans-rectal delivery, could have beneficial effects across a spectrum of diseases (listed in figure 1 below).

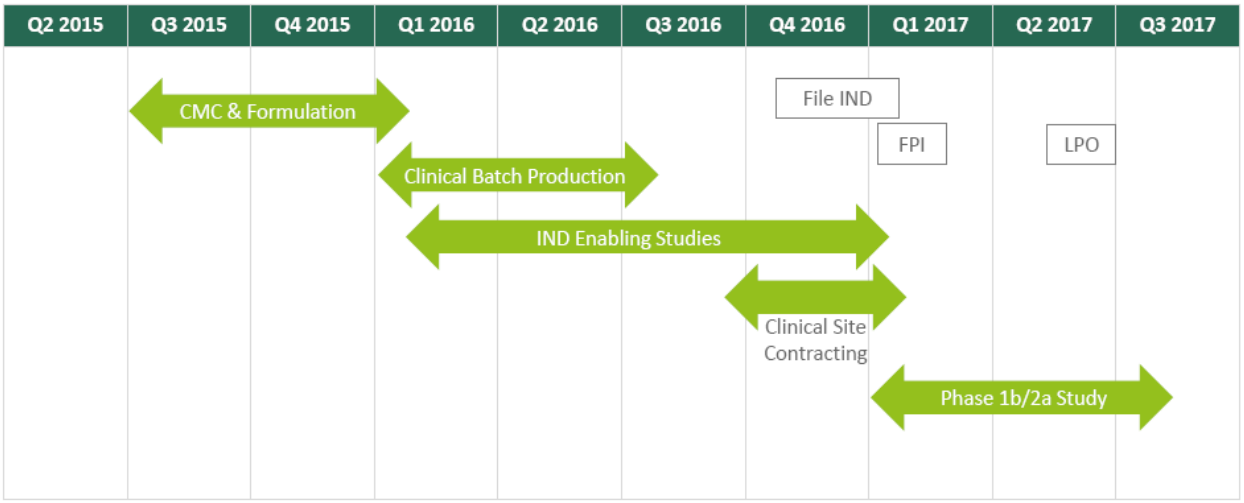
NMUS has a proprietary product pipeline led by a new chemical entity, a pro-drug of THC. THC has been shown to lower Intraocular Pressure (IOP) when administered systemically in humans (smoking, edibles), with an IOP lowering range of 35% to 65%, outcomes comparatively better than currently approved medications.

Figure 1: NMUS's product pipeline ($)

Indication	Product Candidate	Status
Glaucoma	NB1111	Preclinical
Multiple Sclerosis Spasticity	NB2221	Preclinical
MRSA	NB31R1	Research
Epilepsy	NB23R1	Research
Anxiety	NB51R1	Research

Source: Nemus Bioscience, Inc.

Figure 2: Timeline and key dates for NMUS



Source: Company reports

Developmentally, NMUS expects to perfect the NB1111 formulation and Chemistry Manufacturing and Controls (CMC) throughout the fourth quarter of 2015, into the first quarter of 2016. IND-enabling studies will be conducted after a pre-IND meeting with the FDA (expected to be in 1Q16). Depending on the guidance the Company receives from the Agency, the IND filing for NB1111 is expected to occur between 4Q16 and 1Q17 with the Company sponsoring a Phase 1b/2a clinical trial during 1H17 with projected data to be received in 3Q17.

Phase 2 studies in glaucoma are typically 28 days in duration with approximately 60-80 patients per treatment arm. Based on the quality of the Phase 2 data, NMUS would have a number of possible options for next steps in the development of NB1111: (a) Company retains rights and develops the drug for glaucoma through NDA filing and approval, (b) the Company forms a joint venture with a larger partner who will provide financing for larger and longer phase 3 studies of NB1111 and who will subsequently commercialize the product with royalty payments to NMUS, (c) the Company out-licenses the ophthalmology franchise to a larger partner for an upfront payment, supplemented by milestone payments along the development pathway and a royalty on sales when the product is launched and commercialized, or (d) the company sells the ophthalmology franchise to a larger acquirer.

Nemus's Management

Figure 3: NMUS's management, board, and scientific advisory team

Cosmas N. Lykos, ESQ	Co-founder; Executive Chairman of the Board of Directors	• President/Co-owner, Chrome Hearts Eyewear • Chief Legal Officer/V.P. Business Development, Oakley • Corporate Associate, Gibson, Dunn & Crutcher • Public company executive officer and board experience with proven entrepreneur track record
Brian Murphy, MD, MPH, MBA	CEO & Chief Medical Officer; Director	• Chief Medical Officer, Valeant Pharmaceuticals • Chief Medical Officer, InterMune • Director of Medicine North America ,Hoffman-LaRoche • Eiger Biosciences • **Strong academic and industry experience in drug development and evaluation.**
Liz Berecz, MA, CPA	Chief Financial Officer	• Price Waterhouse Coopers • Several public Silicon Valley companies • **Finance and accounting experience with other optical related companies**

Nemus's Board of Directors and Strategic Advisors (Non-management)

Douglas Ingram, ESQ**	Vice Chairman, Chairman of Compensation Committee	• Former President of Allergan • **Responsible for managing Allergan's portfolio of pharmaceutical, consumer, and medical device products (including leading ophthalmology products)** • **Highly impactful in the Actavis/Allergan transaction. Instrumental in its restructuring process and helped reduce expenses by over $500M dollars while enhancing sales and earnings growth**

Tom George	Chairman of Audit Committee	• CFO, Deckers Brands • Opthonix • Oakley • **Finance experience with other optical related companies**
Jerry Mclaughlin, MBA	Board of Directors - Member, Strategic Advisor	• CEO, AgeneBio • Merck • Endo Pharma • **Held multiple healthcare related positions demonstrating leadership in corporate strategy, raising capital, commercial operations, product development, launches and business development**
Mahmoud A. Elsohly, PHD	Scientific Advisor	• 300+ publications • **Globally recognized expert in cannabinoid chemistry**
Robert N. Weinreb, MD	Chair, Ophthalmology Advisory Board	• Distinguished Professor of Ophthalmology UCSD • **Research expertise in glaucoma, optic neuropathies, and disorders associated with the aging eye**

Source: Company Filings

On 6/1/15, NMUS announced the appointment of Douglas S. Ingram, former President of Allergan Inc., to its Board of Directors in the newly created role of Vice Chairman. Mr. Ingram brings nearly 20 years of pharmaceutical leadership experience to the NMUS board. As President of Allergan, Mr. Ingram reported directly to its CEO and led the company's global commercial operations, with responsibility for the company's broad portfolio of pharmaceutical, consumer and medical device products, including oversight of an industry leading ophthalmology products. Doug brings tremendous leadership and therapeutic area expertise to the NEMUS team.

On 7/7/15, NMUS announced the signing of a research agreement with UM to study and conduct research in the development of proprietary cannabidiol (CBD) molecules. The Company's stated goal, in conjunction with the University, is to develop novel formulations of the CBD molecule and leverage that molecular engineering to develop a competitive version of CBD for a variety of diseases. NMUS has indicated the desire to develop both ophthalmic and systemically administered version of the CBD molecule.

On 9/28/15, NMUS announced that Robert N. Weinreb, M.D., an internationally recognized expert in diseases of the eye, has joined the Nemus Bioscience Scientific Advisory Board, including Chair of the Ophthalmology Board. A graduate of Harvard Medical School, Dr. Weinreb is Chairman and Distinguished Professor of Ophthalmology at the University of California, San Diego (UCSD), and also serves as Director of the Shiley Eye Institute. Dr. Weinreb's diverse research interests have focused on glaucoma, optic neuropathies, and disorders associated with the aging eye.

On 10/5/15, NMUS partnered with Atheln, a global consulting network of former pharmaceutical executives and FDA directors, with the goal to accelerate development of NMUS's programs. Included in that alliance are the services of Dr. Judy Gordon, one of the pre-eminent regulatory experts in the field of ophthalmology. NMUS is also bringing on advisors with significant stature in the field like Dr. Weinreb, in order to fill out the NMUS team prior to anticipated nanoparticle data using their proprietary pro-drug.

III. Products and Competition

NB1111 - Glaucoma

NB1111 is a topical ocular treatment with a proprietary THC pro-drug formulation that directly targets and is localized to the eye. The patented formulation allows THC to be absorbed across membranes that are normally barriers to absorption. NB1111 has been shown to reduce IOP in the rabbit glaucoma model. The product is potentially a first-in-class cannabinoid medication to exert an IOP-lowering effect through multiple mechanisms of action. Reduction of IOP is the first-line method to treat glaucoma.

Competitive Therapies to NB1111

There are few methods for treating glaucoma:

- Eye drops which are used to lower IOP
- Surgery/devices (laser, filtering, drainage implants).

Eye drops

Glaucoma treatment often starts with medicated eye drops to prevent optic nerve damage from worsening. Currently approved prescriptive eye drops fall into one of the following classes:

Prostaglandins, dosed once-daily*,* increase the outflow of the fluid through the uveoscleral pathway in the anterior compartment of the eye resulting in a lower IOP. Examples include latanoprost (Xalatan) and bimatoprost (Lumigan). A significant adverse event associated with this class is the potential to change the color of the sclera of the eye with use over time.

Beta blockers, dosed twice daily, reduce the production of fluid in the eye leading to a reduction in IOP. Examples include timolol (Betimol, Timoptic) and betaxolol (Betoptic). Despite a black box warning and less convenient dosing, this class of drug can account for up to 30% market share in some territories.

Alpha-adrenergic agonists medications reduce the production of aqueous humor and increase outflow of the fluid in the eye. Examples include apraclonidine (Iopidine) and brimonidine (Alphagan).

Carbonic anhydrase inhibitors are rarely used given the potential for accumulation and renal toxicity, but these medications may reduce the production of fluid in the eye. Examples include dorzolamide (Trusopt) and brinzolamide (Azopt).

Miotic or cholinergic agents also increase the outflow of fluid in the eye. Examples include pilocarpine (Isopto Carpine) and carbachol (Isopto Carbachol).

Figure 4: Comparison of glaucoma therapy mechanisms of action

Therapy Class				
Mechanism of Action (MOA)	Increased flow Trabecular mesh	Increased flow uveoscleral pathway	Decreased fluid production	Direct neuroprotective qualities
Prostaglandins		X		
β- adrenergic blockers			X	
α- adrenergic agonists		X	X	
Carbonic anhydrase inhibitors			X	
Cholinergic agonists		X		
Pro-drug THC (NB1111)	**X**	**X**	**X**	**X**

Source: Nemus Bioscience Inc, Company Presentation

Important factors for new drugs in Glaucoma

Success in glaucoma is dependent on the totality of a drug's efficacy, safety and tolerability. Efficacy, as defined by topical therapies in glaucoma, is the ability to reduce IOP (both short term and long term). Safety relates to the side effects precluding continuing the medication / contraindications / overlapping toxicity. Tolerability is how well the drug is tolerated by patients using the therapy in a chronic fashion.

Given the "nonresponder" characteristic of the glaucoma treatment marketplace, many therapies can pursue approval meeting a statistical non-inferiority standard. Therefore, the ability to achieve a reduction in IOP, provided there is concomitant

adequate safety data, can usually mean approval of the compound. The issue these therapies do face is the practical market question: can they compete in a generically priced market based on their efficacy/safety profile or will they be relegated to Tier 2 or 3 back-up/adjunctive status.

As previously mentioned, the “holy grail” in glaucoma management is preservation of RGCs through a neuroprotective mechanism. Previously published data has indicated in multiple animal and in vitro models that cannabinoids, particularly delta-9-THC, have prevented RGC apoptosis or programmed cell death secondary to injury or anoxia. We expect the Company to work closely with Dr. Weinreb in developing a product profile that will be acceptable to regulatory agencies in having a neuroprotective attribute on the product label, in addition to the lowering of IOP. Should the Company be successful in attaining that designation along with lowering of IOP on the prescriptive label, we would expect preferential tier placement for the product and premium pricing.

Figure 5: Drugs / Mechanisms of action

Class	Drugs	Mechanisms of Action	Notes
Aqueous Humor Outflow via Uveoscleral Pathway			
Prostaglandins	Latanoprost, tarvosprost, bimatoprost, tafluprost	Increase outflow by increasing matrix metalloproteinase expression and altering the extracellural matrix in the ciliary muscle and trabecular meshwork	Highly effective and well tolerated: generally used as first-line therapy. Once daily dosing
Aqueous Humor Inflow			
Beta Blockers	Timolol, betaxol, careteolol, levobunolol	Decrease inflow by regulating aqueous humor formation in the ciliary processes	Few ocular side effects, but occassional systematic effects include fatigues and bradycardia. Dosed twice a day.
Alpha Agonists	Apraclonidine, brimonidine	Decrease inflow by inactivating adenylyl cyclase in the ciliary processes and mediating noradrenaline release; may also increase uveoscleral outflow	Allergic reactions and drosiness are common. Dosed 2-3 times a day.
Carbonic Anhydrase Inhibitor	Dorzolamide, brinzolamide, acetazolamide, methazolamide	Decrease aqueous humor formation by inhibiting carbonic anhydrase and HCO(3) production	Eye drops better tolerated than orally administered drugs. Dosed twice a day
Aqueous HumorOutflow via Trabecular Meshwork			
Cholinergic Agents	Pilocarpine, carbachol	Increase trabecular meshwork outflow through ciliary muscle contraction	Highly effective but use is compromised by discomfort and dim vision. Use has declined in years

Source: Zhang, K, "Ophthalmic drug discovery: novel targets and mechanisms for retinal diseases and glaucoma." Nature Reviews. June 15, 2012.

Surgery

Surgery and/or device placement is necessary to treat glaucoma if the patient is unable to tolerate medications or if their regimen proves ineffective. Sometimes a single surgical procedure may not effectively lower eye pressure.

Laser surgery has become an option as an intermediate step between drugs and traditional surgery though the long-term success rates are variable. The Company believes that the multiple mechanisms of action of NB1111 coupled to potential neuroprotective capability of cannabinoids, can allow the product to be used in conjunction with surgery in the event that an interventional procedure is required for management of glaucoma.

Cannabinoid Development / Glaucoma Competition

- GW Pharmaceuticals Plc (GWPH - NR) is developing an oral formulation of CBD (Epidiolex) for orphan indications in epilepsy for the US market and has marketing approval in 26 countries for their combination THC/CBD sublingual product for multiple sclerosis. Sativex is not approved in the US at this time.
- Zynerba Pharmaceuticals, Inc. (ZYNE - NR) is a pre-clinical cannabinoid-based biotech company specializing in transdermal drug delivery, focusing on areas of epilepsy, orphan disease (fragile X syndrome), and autoimmune diseases.
- Aerie Pharmaceuticals, Inc. (AERI - NR) is an ocular company developing two Rho Kinase (ROCK) inhibitors for glaucoma; Rhopressa is a pure-play ROCK inhibitor while Roclatan is the same ROCK inhibitor combined with a prostaglandin. The combination product has shown some improvement over current generic medications in lowering IOP however the hyperemia side-effect profile has been comparatively high which could limit its adoption, making it a second- or third-tier medication option for large Pharmacy Benefit Manager (PBMs).
- Inotek Pharmaceuticals Corporation (ITEK - NR) recently completed an IPO and is developing an adenosine mimetic for glaucoma. It has recently completed an FDA guidance meeting and anticipates launching a five-arm phase 3 study of roughly 1500 patients in 2016.
- INSYS Therapeutics, Inc. (INSY - NR), primarily a pain management company, has synthetically manufactured dronabinol (Marinol) for anorexia/cachexia associated with chemotherapy and recently has filed a 505(b)(2) plan with the Agency for an oral liquid formulation of its pill product. The company is also exploring the use of dronabinol for use in the treatment of gliomas.

Competition Within the Glaucoma Products Market

No new mechanism of action has been introduced since Pfizer Inc's Xalatan, known generically as latanoprost, in 1996. Prostaglandins are the most widely-prescribed glaucoma drugs. They include latanoprost, Alcon's Travatan, and Allergan's Lumigan.

The most advanced of pipeline products from large pharma appears to be Bausch & Lomb's Vesneo. This drug represents an advance on existing therapies and could be on the market by next year. The NDA was filed in September, 2015. It combines latanoprost with a nitric oxide donor molecule to enhance IOP lowering. The company has said the drug could generate $500 million in U.S. sales and $1 billion globally.

The newcomers aim to disrupt market-leaders Alcon, a division of Novartis AG, Allergan Inc, Pfizer and Valeant Pharmaceuticals International Inc. The wave of innovation comes as big drug makers are either getting out of eye-care or consolidating. For example, Alcon, whose glaucoma treatment revenues stood at $1.3 Bn last year, said it was "evaluating external partnerships" for access to new glaucoma technologies.

Firms are also working on new drug delivery mechanisms. Allergan's bimatoprost SR is in late-stage clinical trials and could become the first long-acting implant to reach the market. Still, it faces competition from several small firms including Ocular Therapeutix, pSivida and Mati Therapeutics. AERI has signed a development agreement with GreyBug to also examine sustained delivery potential of their products.

Private Belgian company Amaken is also working on a Rho kinase inhibitor to treat glaucoma. In September 2012, Amaken announced the start of an 80-patient Phase 2a proof-of-concept trial for their AMA0076 product. A Phase 2 dosing study, also involving 80 patients, was commenced in May 2014. Like Aerie's products, Amaken claims that their product works on the trabecular meshwork but it has reduced rates of hyperemia.

In 2011, Novartis acquired Alcon and the Merck acquisition of Inspire brought in marketed prostaglandin products. In 2014, Korean start up Ari Bio allied with Korean big pharma SK to lead the clinical effort on development of SK's "disease modifying" small molecule.

The recent patent expirations for branded glaucoma drugs has put pressure on pipeline drugs to bring added value to treatment regimens as the reach of generic alternatives broadens (Figure 6: Expiration of Ophthalmic drugs). The introduction of a cannabinoid class of therapeutics could meet this challenge by showing that IOP is reduced via multiple mechanisms of action but especially if the Company can show evidence of neuroprotection of RGCs (Source: Reuters, "New Wave of Drugs Poised to Shake up Glaucoma Treatment. February 10, 2015).

Figure 6: Brand-Name Opthalmic Drugs with Expired or Pending-Expiration Patents

Brand Name (Manufacturer)	Generic Name	Indication	Patent Expiration Date
Azopt (Alcon)	brinzolamide ophthalmic	Used for treatment of glaucoma	Expired in the U.S. in 2012
Lumigan (Allergan)	bimatoprost	Used for treatment of glaucoma	Expired in the U.S. in 2013
Restasis (Allergan)	cyclosporine	Used for treatment of dry eye	Expired in the U.S. in 2013
Travatan Z (Alcon)	travoprost	Used for treatment of glaucoma	Expired in the U.S. in 2014
Combigan (Allergan)	brimonide tartrate	Used for treatment of glaucoma	Will expire in the U.S. in 2022
Lucentis (Genentech/Novartis)	ranibizumab	Indicated for neovascular (wet) age-related macular degeneration; macular edema following retinal vein occlusion; diabetic macular edema (DME); diabetic retinopathy in patients with DME	Will expire in the U.S. in June 2020

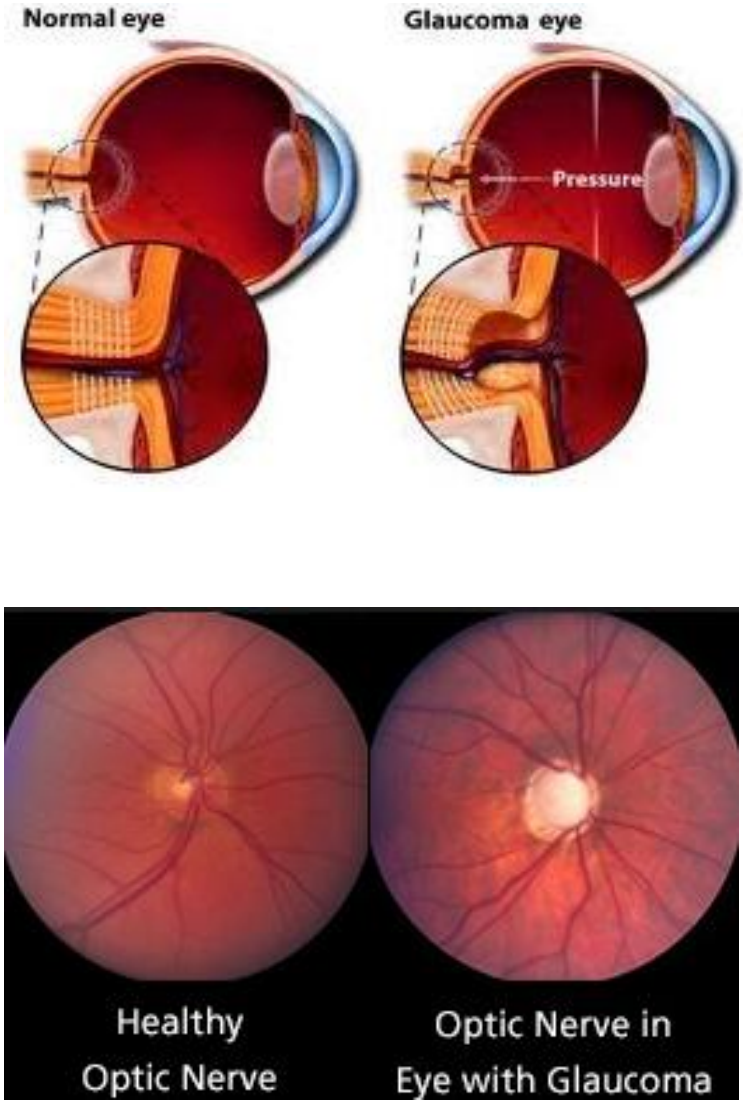
Source: Reference 5.

IV. Understanding the Science

Understanding Glaucoma and the different types of Glaucoma

Glaucoma is a group of diseases that damage the eye's optic nerve and can result in progressive and irreversible vision loss and blindness. In the most common form, primary open-angle glaucoma (POAG), intraocular pressure builds up and causes damage to retinal ganglion cells (RGCs). The type of glaucoma varies based upon the patient's age (congenital, juvenile, adult), presentation (chronic or acute), and mechanism (open angle or closed angle).

Figure 7: Normal eye vs. Glaucoma eye



source: www.glaucoma.org

The etiology of glaucoma is complex and still not well understood. Traditionally, the optic nerve damage has been attributed to the tissue's inability to tolerate a certain IOP. This has been described as both vascular and mechanical. Mechanical involves direct compression of the axons due to elevated IOP as a type of "crush injury". Vascular includes events in which reduced blood flow to the posterior pole leads to damage. This may result from stress of elevated IOP on the blood supply to the nerve or from processes intrinsic to the nerve The two main types of glaucoma are open-angle and angle-closure. These are marked by an increase of intraocular pressure (IOP), or pressure inside the eye.

Primary open-angle glaucoma (POAG), is the most common type of glaucoma in western economies: 74% of glaucoma patients are classified as having POAG; is

when the eye's natural drainage canals become clogged over time. Intraocular pressure, the pressure inside the eye, rises because the appropriate amount of fluid is not able to drain from the eye. If caught early and treated, this type of glaucoma responds well to medication.

Angle-Closure Glaucoma is a result of the angle between the iris and cornea closing. It is caused by blocked drainage canals, resulting in a sudden rise in intraocular pressure. It has symptoms and damage that are usually noticeable and demand immediate medical attention.

Low-Tensions or Normal-Tension Glaucoma is a type of glaucoma that causes the optical nerve damage and visual-field loss characteristic of open-angle glaucoma, yet patients do not experience high intraocular pressures. The cause is unknown and prevalence is high in Japan and Korea (typically older than 60 years old, older than patients with POAG. 15-25% of patients with POAG experience low-tension glaucoma)

Glaucoma Market Statistics

The glaucoma market presents an $8 Bn global opportunity and is anticipated to grow along with an aging population and higher prevalence of diabetes. Glaucoma is a leading cause of blindness in the U.S. and second leading cause globally. The U.S. market commands roughly 32M prescriptions annually amounting to a $2.3 U.S. market. Glaucoma is the fifth leading diagnosis among Medicare recipients. More than 3 million Americans are living with glaucoma, 2.7M of whom-aged 40 and older-are affected by its most common form, open-angle glaucoma. Glaucoma accounts for over 10 million visits to physicians each year. In terms of Social Security benefits, lost income tax revenues, and health care expenditures, the cost to the U.S. government is estimated to be over $1.5Bn annually (Source: www.glaucoma.org).

Features of NB1111

The lead compound of Nemus Bioscience is a pro-drug of the cannabinoid molecule tetrahydrocannabinol (THC). In its pure form, THC is a highly lipophilic molecule that does not cross physiologic membranes with ease. Early experiments using purified eye drops of THC found that less than 2% of the applied compound was detected in the anterior chamber of the eye resulting in suboptimal decline in IOP.

Formulation work at UM redesigned the molecule by adding two side chains via ester linkages to THC resulting in a molecule that was more hydrophilic or water soluble and less electrically polar. By virtue of these alterations, the molecule not only enters the anterior chamber of the eye, but also can be localized to the posterior chamber as well, a first for the cannabinoid class of molecules.

When the THC pro-drug enters the eye, native esterase enzymes cleave off the inert side chains, resulting in a pharmacologically active THC moiety that can bind to abundant cannabinoid type 1 (CB-1) receptors located in tissues integral to controlling

IOP. Upon binding to those receptors, there is enhanced drainage of fluid through both the uveoscleral pathway and the trabecular meshwork. In separate experiments it has also been shown that cannabinoid stimulation of CB-1 receptors can lead to a decrease in fluid production in the eye (Figure 9: comparative mechanisms of action).

In the rabbit glaucoma model data presented at AAPS, in 2014, it was shown that the pro-drug itself does not bind to CB-1 receptors and that the decline in IOP associated with exposure to the prototypic NB1111 compound was 45%-50% and driven by enhanced THC concentration when the pro-drug was converted to the active molecule. The animals did not experience dilation of the pupil, a transient although inconvenient side effect seen with some currently approved medications.

The half-life of activity associated with the pro-drug molecule was better than that seen with just native THC, however, dosing of the pure pro-drug would still necessitate four-times daily dosing based on the rabbit model data. The Company has provided guidance that in 4Q15 experiments using the rabbit glaucoma model will be conducted assessing the use of a nanoparticle vehicle to prolong the half-life of the drug whereby it can be dosed once-daily. Once validated, the Company will advance this formulation into a canine glaucoma model as part of the IND-enabling data package for the FDA.

NMUS anticipates that it will add to the company roster of expertise with a regulatory consultant experienced in dealing with the ophthalmology branch of the Agency. In addition, the Company has engaged Dr. Robert Weinreb, Distinguished Professor of Ophthalmology at UCSD and a consensus-leading global authority on glaucoma disease and treatments, to chair the Company's Ophthalmology Scientific Advisory Board.

NMUS has provided guidance that the Company will request a pre-IND meeting with the Agency in an effort to map out the necessary studies required for an IND package. There is a large body of validated published knowledge that has been accumulated on the toxicology, absorption, distribution, metabolism, and excretion of systemically administered THC. We expect the Company to assess this pre-existing data and evaluate it in the context of the dosing exposure seen with micro molar to picomolar amounts of THC in the eye and the fact that little, if any, THC or its main metabolite, 11-hydroxy-THC would be found in the systemic circulation after ocular administration. This may lead to a more expeditious path through the IND granting process pending review by the FDA. We look for Company guidance on an Agency pre-IND meeting somewhere in the period from the end of 4Q15 to end of 1Q16.

V. Assumptions

NMUS's target market is 2.3M glaucoma patients. Management expects a conservative 10% market share penetration (230k patients) and a treatment cost of $3,000/year ($250/month). Thus, rough estimates for revenue would be ~$194M upon the drug commencing sales (estimated start date of 2023) and hitting the target penetration rate of 2% (first year penetration rate).

VI. Valuation

Figure 8: Comps --> terminal multiple

Company Comp Set	Ticker	NTM EV/REV
Aradigm Corporation	ARDM	7.78x
Raptor Pharmaceuticals Corp.	RPTP	3.55x
Sucampo Pharmaceuticals, Inc.	SCMP	3.94x
Pacira Pharmaceuticals, Inc.	PCRX	5.01x
Aerie Pharmaceuticals, Inc.	AERI	-
Pernix Therapeutics Holdings, Inc.	PTX	2.17x
Horizon Pharma plc	HZNP	3.50x
Aegerion Pharmaceuticals, Inc.	AEGRI	2.34x
DepoMed Inc.	DEPO	3.72x
Nemus Bioscience Inc.	NMUS	NM
Mean		4.00x
Median		3.63x

Source: Capital IQ

We selected our comps based on size (market cap less than $2 Bn), industry, products with comparable delivery methods (eye drops), and products focusing on similar diseases (Glaucoma or Chronic Fatigue). Based on these criteria we came to a list of eight companies that are a good fit for an appropriate comparable valuation for NMUS. Although Zynerba is a strongt comp, we left it out because the valuation is so high that it would be an outlier relative to the current comp numbers. Please note EV/REV is a common valuation method used for development stage companies because most of them do not have any revenues.

Additional information about relevant comps

Aerie Pharmaceuticals Inc, a company launching a novel eye-drop Rhopressa in 2017 and another treatment, Roclatan, a year later; sold 6.7 million shares for $10 each in its 2013 market debut. They now are above $26. Following Aerie is Inotek Pharmaceuticals, whose trabodenoson eye-drop is entering late-stage trials expected to be completed by 2017. Inotek has announced plans to sell 4.6 million shares at between $13 and $15 each in an IPO expected soon. Ocular's shares have risen to more than $30 from their IPO price of $13 last year.

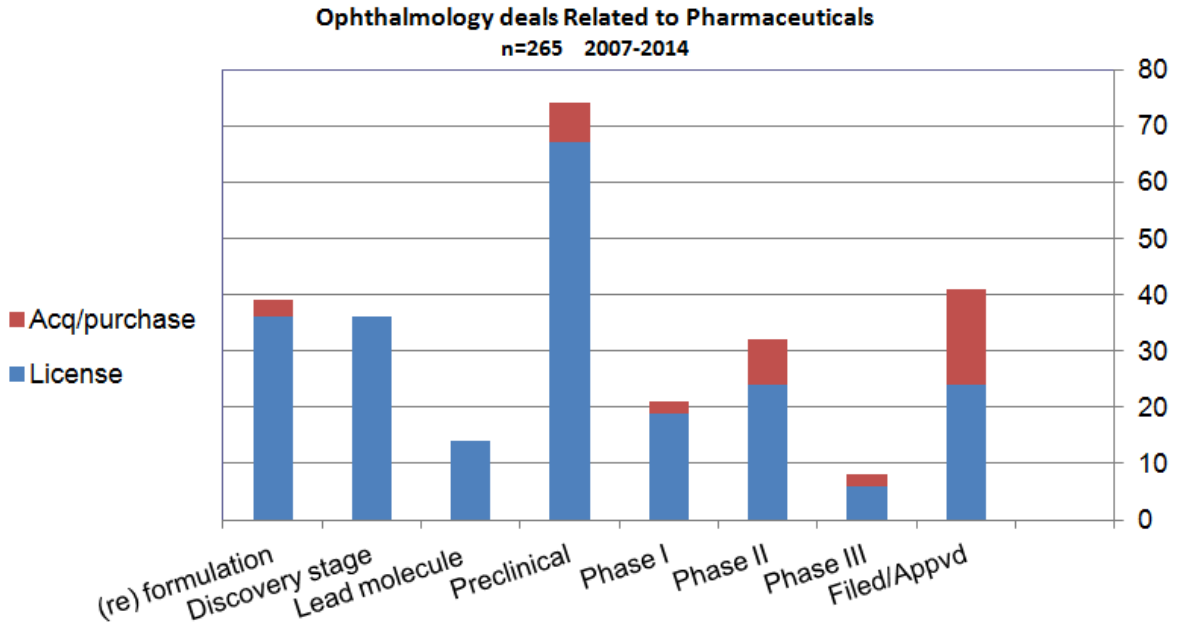
Glaukos, which sells micro-scale surgical devices for treating glaucoma, announced terms for its IPO (S-1). The Laguna Hills, CA-based company plans to raise $75 million

by offering 5.4 million shares at a price range of $13 to $15. At the midpoint of the proposed range, Glaukos would command a fully diluted market value of $474 million.

Ophthalmology deals related to pharmaceuticals

Historically, business development deals in the ophthalmology space, particularly glaucoma, occur early in the development lifecycle, the majority in the pre-clinical to phase 2 timeframe (Figure 9). This is related to the objective primary outcome in assessing clinical response: change in intra-ocular pressure (IOP). Since this objective outcome is assessed using a validated instrument system, there is less variation in assessing the data (as opposed to a subjective measure like pain) and therefore accumulated data, even in animal models, can often reliably predict responses in humans driving business development (BD) deals early in the lifecycle.

Figure 9: Frequency of BD deals in the ophthalmology space related to stage of development



Source: Nemus company data

Projected capital needs

To date, NMUS has raised $9.2M total capital. $2M was raised initially from friends and family. An additional $2.2M was raised subsequent to the reverse merger in a series of PIPEs of both common and preferred stock. Recently, an outside bank raised $5M in a Series B preferred financing round that included two healthcare investment funds (Sabby Capital LLC and DAFNA Capital Management, LLC) and several high net worth investors. This capital will be used primarily for Glaucoma. Some of the capital will be used for early studies of a MRSA therapeutic and the Company has stated they will

seek additional MRSA funding obtained by applying for grants from government and private foundation sources (a source of non-dilutive funding for the company).

MRSA has reached global pandemic standards and the Company plans on aggressively pursuing grants to advance this program. If successful, then the funding requirements to advance the MRSA program will revolve predominantly around the acquisition of non-dilutive capital.

The Company has projected the capital needs for the various stages of the NB1111 glaucoma program as listed in figure 10. We believe that these costs are in line for a compound in this therapeutic space through Phase 2a.

Figure 10: NMUS's capital requirements

ACTIVITY	PROJECTED COST
CMC*-FORMULATION	$2.6 million
IND** ENABLING STUDIES & FILING	$3.2 million
CLINICAL PHASE 1b/2a Study	$1.8 million
PROJECTED TOTAL	$7.6 million

Source: Company reports

How we derived our price target

Our price target of $2.48 is based on applying a 3.6x EV/Revenue multiple (from table above) to our estimated 2023 revenue of $194M, discounted at 40% for eight years. Our 40% discount rate is based on the benchmark range of early stage companies: 40-45% and we used 40% (low-end of range) because the product is already proven in humans and Glaucoma companies tend to be acquired earlier relative to other drug companies. We believe this valuation is appropriate given that NMUS has minimal revenue at the moment and the value of the company is based on expectations of the first year of commercialization happening in eight years (2023). We used various assumptions that are reasonable relative to industry standards.

Figure 11: Estimates and Price Target

For the Fiscal Period Ending	12 months Dec-31-2016	12 months Dec-31-2017	12 months Dec-31-2018	13 months Dec-31-2019	14 months Dec-31-2020	15 months Dec-31-2021	16 months Dec-31-2022	16 months Dec-31-2023
Currency	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
Stage		Phase 2a	Phase 2b		Phase 3		NDA Filed	NDA Decision
Population of patients	230,000	236,900	251,114	266,181	282,152	299,081	317,026	336,047
%Penetration	0%	0%	0%	0%	0%	0%	0%	2%
NMUS Patients	0	0	0	0	0	0	0	6,721
Price/Month High	$250	$250	$250	$250	$250	$250	$250	$250
Price/Month Mid	$200	$200	$200	$200	$200	$200	$200	$200
Price/Month Low	$150	$150	$150	$150	$150	$150	$150	$150
Price/Year High	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000	$3,000
Price/Year Mid	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400	$2,400
Price/Year Low	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800
Total Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$193.6

Terminal Value Assumptions	
Terminal Revenue (2023)	$193.6
Terminal Multiple	**3.6x**
Terminal Value	**$696.8**
Discount Period	$8.0
Discount Factor @ 40.0%	$14.8
PV of Terminal Value	**$47.2**
PV of FCF	**$0.0**
Total EV ($MMs)	**$47.2**

Price Target - 2016	
Total EV ($MMs)	**$47.2**
Total Debt	$0.0
Total Cash	$0.6
Total Equity Value	**$47.8**
Shares Out.	**19.3**
Price Target	**$2.48**
Current Price	$0.78
Upside	**218%**

Source: Midtown Partners Estimates, Capital IQ

VII. Risks

1) Innovation in the glaucoma market could lead to market share loss to newcomers with better products. Companies with innovative drugs include Aerie, Inotek, Valeant, and a few private players.

2) Price may come under pressure given the current generic-dominated marketplace if NB1111 can only demonstrate average lowering of IOP.

3) If NB111 achieves regulatory approval, NMUS will need to seek and achieve reimbursement from various entities including governments and private and public payers. Without reimbursement, NMUS would be unable to generate meaningful revenue successfully.

4) The company will need to sell additional equity to fund future operations. If the company were to be unsuccessful in a capital raise then NMUS would have a weak cash position and be unable to sustain company operations.

For the Fiscal Period Ending	12 months Dec-31-2016	12 months Dec-31-2017	12 months Dec-31-2018	13 months Dec-31-2019	14 months Dec-31-2020	15 months Dec-31-2021	16 months Dec-31-2022	16 months Dec-31-2023
Currency	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*	*USD*
Stage		Phase 2a	Phase 2b		Phase 3		NDA Filed	NDA Decision
Total Revenue	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$0.0	$193.6
Cost Of Goods Sold	0.0	0.0	0.0	0.0	0.0	0.0	0.0	67.7
Gross Profit	0.0	0.0	0.0	0.0	0.0	0.0	0.0	125.8
Selling General & Admin Exp.	4.6	4.6	4.6	10.0	10.0	10.0	3.0	29.0
R & D Exp.	0.4	0.4	0.4	0.4	0.4	0.4	0.4	0.4
Depreciation & Amort.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.9
Other Operating Expense/(Incom	3.2	1.8	10.0	10.0	13.0	0.0	0.0	38.0
Other Operating Exp., Total	8.2	6.8	15.0	20.4	23.4	10.4	3.4	69.3
Operating Income	(8.2)	(6.8)	(15.0)	(20.4)	(23.4)	(10.4)	(3.4)	56.5
Interest Expense								
Interest and Invest. Income	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest Exp.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Non-Operating Inc. (Exp.)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT Excl. Unusual Items	(8.2)	(6.8)	(15.0)	(20.4)	(23.4)	(10.4)	(3.4)	56.5
Impairment of Goodwill	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other Unusual Items	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
EBT Incl. Unusual Items	(8.2)	(6.8)	(15.0)	(20.4)	(23.4)	(10.4)	(3.4)	56.5
Income Tax Expense	(2.9)	(2.4)	(5.2)	(7.1)	(8.2)	(3.6)	(1.2)	19.8
Earnings from Cont. Ops.	(5.3)	(4.4)	(9.7)	(13.2)	(15.2)	(6.7)	(2.2)	36.7
Earnings of Discontinued Ops.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Extraord. Item & Account. Chang	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income to Company	(5.3)	(4.4)	(9.7)	(13.2)	(15.2)	(6.7)	(2.2)	36.7
Minority Int. in Earnings	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net Income	(5.3)	(4.4)	(9.7)	(13.2)	(15.2)	(6.7)	(2.2)	36.7
Per Share Items								
Basic EPS	($0.23)	($0.16)	($0.31)	($0.37)	($0.39)	($0.16)	($0.05)	$0.78
Basic EPS Excl. Extra Items	($0.23)	($0.16)	($0.31)	($0.37)	($0.39)	($0.16)	($0.05)	$0.78
Weighted Avg. Basic Shares Out	23.3	27.3	31.3	35.3	39.3	43.3	47.3	47.3

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Rating	Rating Description	Number of Companies Covered	Midtown Partners & Co. LLC Rating Distribution Percentage	Investment Banking Clients	Percent Banking Clients
Strong Buy	We expect these shares to increase in value by at least 20% over the next 12 months.	7	78%	1	14%
Buy	We expect these shares to increase in value by at least 10% over the next 12 months	0	0%	0	0%
Neutral	We expect these shares to remain within a range +/- 10% within the next 12 months	2	22%	0	0%
Sell	We expect these shares to decrease in value by at least 10% over the next 12 months				
Not Rated	The ratings for the subject company have been temporarily suspended by Midtown Partners & Co. LLC				

Midtown Partners & Co. LLC & Co., Inc. - Risk Ratings

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Moderate	Financial results of companies with a “Moderate” risk rating have a moderate level of predictability and / or their share prices are subject to moderate volatility as measured by Beta.
High	Financial results of companies with a “High” risk rating have a low level of predictability and / or their share prices are subject to high volatility as measured by Beta.
Speculative	Financial results of companies with a “Speculative” risk rating have a very low level of predictability and / or their share prices are subject to high volatility as measured by Beta. Investments in these shares carry very high risk.

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