Dermira, Inc.
Form S-1
July 28, 2015

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As filed with the Securities and Exchange Commission on July 28, 2015

Registration No. 333-

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, DC 20549

FORM S-1

REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933

DERMIRA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**2834**	**27-3267680**
(State or other jurisdiction of incorporation or organization)	(Primary Standard Industrial Classification Code Number	(I.R.S. Employer Identification Number)

275 Middlefield Road, Suite 150
Menlo Park, CA 94025
(650) 421-7200
(Address, including zip code, and telephone number, including area code of registrant's principal executive offices)

Thomas G. Wiggans
Chief Executive Officer and Chairman of the Board
275 Middlefield Road, Suite 150
Menlo Park, California 94025
(650) 421-7200
(Name, address, including zip code, and telephone number, including area code, of agent for service)

Copies to:

Douglas N. Cogen, Esq. **Michael A. Brown, Esq.**	**Andrew L. Guggenhime** **Chief Operating Officer and**	**Andrew S. Williamson, Esq.** **David G. Peinsipp, Esq.**

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Approximate date of commencement of proposed sale to the public:
As soon as practicable after the effective date of this registration statement.

If any of the securities being registered on this form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933 check the following box. o

If this form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration number of the earlier effective registration statement for the same offering. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer ý (Do not check if a smaller reporting company)	Smaller reporting company o

CALCULATION OF REGISTRATION FEE

Title of each class of securities to be registered	Proposed maximum aggregate offering price(1)(2)	Amount of registration fee
Common Stock, $0.001 par value per share	$97,750,000	$11,359

(1) Estimated solely for the purpose of calculating the amount of the registration fee in accordance with Rule 457(o) of the Securities Act of 1933, as amended.

(2) Includes the offering price of shares that the underwriters have the option to purchase.

The Registrant hereby amends this Registration Statement on such date or dates as may be necessary to delay its effective date until the Registrant shall file a further amendment which specifically states that this Registration Statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, as amended, or until the Registration Statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

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The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.

Subject to completion, dated July 28, 2015

PRELIMINARY PROSPECTUS

SHARES OF COMMON STOCK

Dermira, Inc. is offering shares of its common stock.

Our common stock is listed on The NASDAQ Global Select Market under the symbol "DERM." The last reported sale price of our common stock on The NASDAQ Global Select Market on July 27, 2015 was $24.32 per share.

We are an "emerging growth company" under applicable Securities and Exchange Commission rules and are eligible for reduced public company disclosure requirements.

Investing in our common stock involves a high degree of risk. See "Risk Factors" beginning on page 12 of this prospectus.

	Per Share	Total
Public offering price	$	$
Underwriting discounts and commissions[(1)]	$	$
Proceeds, before expenses, to us	$	$

(1) We refer you to "Underwriting" beginning on page 89 for additional information regarding underwriting compensation.

We have granted the underwriters an option for a period of 30 days to purchase up to additional shares of common stock.

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

The underwriters expect to deliver the shares of common stock to purchasers on or about , 2015, through the book-entry facilities of The Depository Trust Company.

Leerink Partners **Cowen and Company** **Guggenheim Securities**

Needham & Company

The date of this prospectus is , 2015.

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We have not authorized anyone to provide any information or to make any representations other than those contained in this prospectus or in any free writing prospectuses we have prepared. We take no responsibility for, and can provide no assurance as to the reliability of, any other information that others may give you. This prospectus is an offer to sell only the shares offered hereby, but only under circumstances and in jurisdictions where it is lawful to do so. The information contained in this prospectus is current only as of its date.

Persons who come into possession of this prospectus and any applicable free writing prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus and any such free writing prospectus applicable to that jurisdiction.

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SUMMARY

This summary highlights information contained in other parts of this prospectus or incorporated by reference from our Annual Report on Form 10-K for the year ended December 31, 2014, and our other filings with the Securities and Exchange Commission listed in the section of the prospectus entitled "Incorporation of Certain Information by Reference." This summary does not contain all of the information you should consider in making your investment decision. Before deciding to invest in shares of our common stock, you should read the entire prospectus, the registration statement of which this prospectus is a part, and the information incorporated by reference herein in their entirety. You should carefully consider, among other things, the matters discussed in the section entitled "Risk Factors" included elsewhere in this prospectus and the matters discussed in the sections entitled "Selected Consolidated Financial Data," our consolidated financial statements and the accompanying notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations," in each case, incorporated by reference into this prospectus. Some of the statements in this prospectus constitute forward-looking statements that involve risks and uncertainties. See "Special Note Regarding Forward-Looking Statements."

Our Company

We are a specialty biopharmaceutical company focused on bringing innovative and differentiated products to dermatologists and their patients. Our management team has extensive experience in product development and commercialization, having served in leadership roles at several leading dermatology companies. Our strategy is to leverage this experience to in-license, acquire, develop and commercialize products that we believe can be successful in the dermatology marketplace. Our portfolio of five product candidates targets significant market opportunities and includes three late-stage product candidates: Cimzia (certolizumab pegol), which we are developing in collaboration with UCB Pharma S.A. for the treatment of moderate-to-severe plaque psoriasis; DRM04, which we are developing for the treatment of hyperhidrosis, or excessive sweating; and DRM01, which we are developing for the treatment of acne.

We are currently focused on the development of therapeutic solutions in medical dermatology to treat skin conditions, such as psoriasis, hyperhidrosis and acne. These diseases impact millions of people worldwide and can have significant, multidimensional effects on patients' quality of life, including their physical, functional and emotional well-being. According to multiple published studies, patients report that medical dermatology conditions affect quality of life in ways comparable to other serious diseases, such as cancer, heart disease, diabetes, epilepsy, asthma and arthritis.

We believe that medical dermatology represents a particularly attractive segment of the biopharmaceutical industry for multiple reasons:

- Dermatology represents a large, growing, specialty market supported by strong patient demand.
- The dermatology market is ripe for innovation with significant commercial opportunities.
- The development of dermatology products can be relatively efficient in terms of time and cost.
- Dermatology products can be commercialized at relatively low cost.
- The needs of dermatologists and their patients have been underserved as a result of the significant consolidation of dermatology-focused companies.

We believe that these industry dynamics present an opportunity for us to establish our company as a leader in dermatology product development and commercialization, and we plan to capitalize on that opportunity for the benefit of patients and dermatologists.

Dermira was founded by Thomas G. Wiggans, Eugene A. Bauer, M.D., Christopher M. Griffith and Luis C. Peña with the vision of building a leading dermatology company. Several members of our

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management team, including Mr. Wiggans, Dr. Bauer and Mr. Peña, have extensive experience within the dermatology field, including having served in executive roles at leading dermatology companies such as Connetics Corporation, Peplin, Inc. and Stiefel Laboratories, Inc., a GlaxoSmithKline LLC Company. This experience brings us significant insight into product and commercial opportunities, as well as a broad network of relationships with leaders within the industry and medical community.

Our Product Candidates

Our three late-stage product candidates are:

Cimzia, an injectable biologic tumor necrosis factor-alpha inhibitor, or TNF inhibitor, that is currently approved and marketed by UCB for the treatment of numerous inflammatory diseases spanning multiple medical specialties, including rheumatoid arthritis, psoriatic arthritis, ankylosing spondylitis and Crohn's disease, in multiple countries, including the United States. Biologic TNF inhibitors are a class of pharmaceutical products that are manufactured by biological processes and designed to exert their effect by inhibiting TNF, a naturally occurring molecule that plays an important role in promoting inflammation within the body, including in patients with psoriasis. We have entered into a development and commercialization agreement, or the UCB agreement, to collaborate with UCB to develop Cimzia for the treatment of moderate-to-severe plaque psoriasis in the United States, Canada and the European Union and, upon regulatory approval, to market Cimzia to dermatologists in the United States and Canada. Based on the results of two Phase 2 clinical trials conducted by UCB and our end-of-Phase 2 meeting with the U.S. Food and Drug Administration, or FDA, we and UCB commenced a Phase 3 clinical program for Cimzia for the treatment of moderate-to-severe plaque psoriasis in December 2014. We expect topline results from the Phase 3 clinical program in 2017.

DRM04, a topical, small-molecule anticholinergic product we are developing for the treatment of hyperhidrosis. Anticholinergics are a class of pharmaceutical products that exert their effect by blocking the action of acetylcholine, a molecule that transmits signals within the nervous system that are responsible for a range of bodily functions, including the activation of sweat glands. DRM04 is a topical formulation of a novel form of an anticholinergic agent that has been approved for systemic administration in other indications, and it is designed to inhibit sweat production by blocking the activation of sweat glands following topical administration. Based on the results of a Phase 2 program comprising three randomized, double-blind, vehicle-controlled clinical trials in 341 patients and our end-of-Phase 2 meeting with the FDA in April 2015, we are finalizing the design of a Phase 3 clinical program for DRM04 in patients with primary axillary, or underarm, hyperhidrosis. We plan to initiate the Phase 3 clinical program in the second half of 2015.

DRM01, a novel, topical, small-molecule sebum inhibitor we are developing for the treatment of acne. Sebum is an oily substance made up of lipids produced by glands in the skin called sebaceous glands, and excessive sebum production is an important aspect of acne that is not addressed by available topical therapies. DRM01 is designed to exert its effect by inhibiting acetyl coenzyme A carboxylase, an enzyme that plays an important role in the synthesis of fatty acids, a type of lipid that represents an essential component of the majority of sebum lipids. Based on the results of a 108-patient, randomized, multi-center, double-blind, vehicle-controlled Phase 2a clinical trial, we commenced a Phase 2b clinical program in April 2015. We expect topline results from the Phase 2b clinical program in the first half of 2016.

In addition, we have two early-stage product candidates in preclinical development for the treatment of inflammatory skin diseases and acne.

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Our Strategy

Our strategy is to in-license, acquire, develop and commercialize innovative and differentiated products that we believe can be successful in the dermatology marketplace. The key components of our strategy are to:

Rapidly develop our late-stage product candidates. We commenced our Phase 3 clinical program for Cimzia within 10 months of establishing our collaboration with UCB, produced positive Phase 2b clinical trial results within nine months of initiating our first clinical trial of DRM04 and produced positive Phase 2a clinical trial results within one year of initiating our first clinical trial of DRM01. We believe that our team's expertise in designing and executing product development programs in dermatology, combined with the relative efficiencies of dermatology product development, will enable us to rapidly develop our late-stage product candidates.

Efficiently establish proof-of-concept for our early-stage product candidates and advance promising candidates into late-stage development. In developing our early-stage product candidates, we focus on translating advances in the understanding of skin disease biology into innovative solutions for unmet needs in dermatology. We seek to rapidly and efficiently establish proof-of-concept for these product candidates. Using this approach, our experienced management team is able to efficiently determine whether and how to advance product candidates into the next stages of development, which we believe increases our ability to direct resources to promising programs and enhances our likelihood of successfully developing and commercializing our product candidates.

In-license and acquire new product candidates and, potentially, commercial-stage products. Since our founding in 2010, we have executed three transactions resulting in a portfolio of five product candidates. We intend to continue to identify, evaluate, in-license and acquire product candidates from a number of sources by leveraging the insights, network and experience of our management team. Our objective is to maintain a well-balanced portfolio by in-licensing or acquiring additional product candidates across various stages of development. We also may seek to in-license and acquire dermatology products that have received regulatory approval for marketing in order to accelerate our entry into the market or expand the portfolio of products we can market to dermatologists.

Build a medical affairs organization and specialized sales and marketing organization of highly experienced professionals who can effectively communicate the benefits of our approved products and support dermatologists and their patients. We believe that we can compete effectively in the dermatology market by having a medical affairs organization and specialized sales and marketing organization focused solely on dermatologists and their patients. To commercialize any approved products we may successfully develop or acquire, we intend to build a medical affairs organization and specialized sales and marketing organization that will provide high levels of customer support and scientific expertise to dermatologists and their patients.

Maximize the value of our portfolio by commercializing our approved products ourselves where we can effectively do so and partnering with other companies to help us reach new markets. We currently hold worldwide rights to all of our product candidates with the exception of Cimzia. We currently plan to commercialize our approved products in the United States and Canada by deploying a specialized sales force targeting dermatologists in these countries. We may partner with third parties to help us reach other geographic markets or medical specialties. We have an exclusive license to market Cimzia to dermatologists in the United States and Canada following regulatory approval of Cimzia for the treatment of psoriasis in these countries. We plan to leverage the infrastructure of our partner, UCB, to support our marketing of Cimzia in the United States and Canada.

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Continue to build a team of committed, experienced employees and leverage our relationships with members of the dermatology community. We believe that the field of dermatology offers an exceptional opportunity to build relationships with opinion leaders, advocacy groups and medical practitioners. We believe that consolidation in the dermatology industry has resulted in an enhanced opportunity for a dermatology-focused company to build relationships with these stakeholders and has made available a large and growing talent pool of experienced employees who can make significant contributions to our company.

Key Markets for Our Product Candidates

The Moderate-to-Severe Plaque Psoriasis Market

Psoriasis is a chronic, complex, immune-mediated disease that requires long-term treatment. It is commonly considered the most prevalent autoimmune disease in the world. According to Decision Resources, the diagnosed prevalence of psoriasis in the United States was approximately 9.3 million people, or approximately 2.9% of the population, in 2013.

According to Decision Resources, U.S. sales of psoriasis prescriptions accounted for $4.4 billion in 2013. In the same year, U.S. sales of biologic therapies for moderate-to-severe plaque psoriasis were $3.7 billion, of which $2.8 billion were from TNF inhibitors. According to data provided by IMS Health National Prescription Audit, or IMS NPA, and IMS National Sales Perspectives, or IMS NSP, between 2010 and 2013, sales of biologic therapies attributable to U.S. dermatologists grew at an average annual rate of 19% and sales of TNF inhibitors attributable to U.S. dermatologists grew at an average annual rate of 12%.

We believe that there is a substantial opportunity for continued expansion of the market for biologic psoriasis therapies. Even with the significant recent growth in the market, penetration of biologics into the addressable population of moderate-to-severe plaque psoriasis patients remains relatively low, particularly in comparison to other large biologics markets. We believe that penetration into the psoriasis patient population may continue to increase as dermatologists become more familiar with available biologic therapies, particularly the established safety record of TNF inhibitors, and as new biologic products reach the market. Decision Resources projects that U.S. sales of branded, systemic psoriasis therapies will increase from approximately $3.9 billion in 2013 to $5.9 billion by 2023.

The Hyperhidrosis Market

Hyperhidrosis is a condition of excessive sweating beyond what is physiologically required to maintain normal thermal regulation. Primary hyperhidrosis, which is excessive sweating without a known cause, can affect the underarms, palms of the hands, soles of the feet, face and other areas. Several studies have demonstrated that excessive sweating often impedes normal daily activities and can result in occupational, emotional, psychological, social and physical impairment. In the United States, based on the most recent data available, the prevalence of hyperhidrosis was estimated in 2003 to be 2.8% of the population, or roughly 7.8 million people. According to published studies, approximately half of hyperhidrosis sufferers have axillary hyperhidrosis.

The market for products to control sweating is large and highly underpenetrated by prescription pharmaceutical products. Despite the limited efficacy of over-the-counter, or OTC, antiperspirants for the alleviation of hyperhidrosis symptoms, according to a 2003 survey, only 38% of hyperhidrosis patients had discussed their condition with a healthcare professional. We believe that this is largely a result of the lack of effective, well-tolerated, convenient prescription treatment options. Patients who seek treatment from a physician most commonly receive prescription topical antiperspirants. While these topical antiperspirants generated approximately 490,000 prescriptions in the United States in 2014, their use is limited by modest efficacy and skin irritation, particularly in patients with more severe disease. We believe that the market opportunity for a new, effective, well-tolerated, topical

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hyperhidrosis treatment is substantially larger than the current market for prescription topical antiperspirants because such a therapy could further penetrate the segment of patients who seek treatment from a physician and encourage more patients to seek treatment.

The Acne Market

Acne is one of the most common skin diseases. It is characterized by clogging of the pores and associated local skin lesions. Acne lesions are believed to result from an interaction of multiple pathogenic, or contributing, factors, including excessive sebum production. Acne can significantly impact patients' quality of life, resulting in social, psychological and emotional impairments that are comparable to those reported by patients with epilepsy, asthma, diabetes or arthritis. According to widely-cited data, it is estimated that acne affected more than 85% of teenagers globally in 1994, 150 million people globally as of 2008 and 40 to 50 million Americans as of 1998. Acne is one of the most common reasons for visiting a dermatologist. In 2007, acne represented about one-fourth of U.S. dermatologists' patient volume.

According to IMS MIDAS, products to treat acne accounted for over $4.0 billion in global pharmaceutical sales in 2013. In the same year, each of the three major prescription pharmaceutical product classes that are predominantly used to treat acne generated between approximately $580 million and $2.1 billion in U.S. sales, according to data provided by IMS NSP and IMS NPA. These three product classes have been available for over 30 years, and we believe that growth in this market recently has been significantly limited by a lack of innovation in new product development.

We believe that there is a substantial unmet need and commercial opportunity for a topical acne therapy that targets sebum production. Acne treatment guidelines published by the Global Alliance to Improve Outcomes in Acne recommend that acne treatment be directed toward as many pathogenic factors as possible. Accordingly, patients are often treated with combination regimens that incorporate agents with complementary mechanisms of action targeting different pathogenic factors. The vast majority of acne patients are treated with topical therapies, and all of the four primary pathogenic factors except for excessive sebum production can be targeted with available topical treatments. While systemic therapies may be used to effectively inhibit sebum production, their use is limited by significant, systemic side effects. As a result, we believe that the introduction of a topical acne treatment that targets sebum production could establish a new product class and expand the acne market.

Key Developments

Following is a summary of selected key developments affecting our business:

Phase 2b program for DRM01 in patients with acne. In April 2015, we announced the dosing of the first patient in a Phase 2b dose-ranging trial for DRM01 in patients with facial acne vulgaris. The randomized, multi-center, double-blind, parallel-group, vehicle-controlled study is designed to assess the safety and efficacy of DRM01 compared to vehicle. The goal of the study is to establish the optimal dose for a potential Phase 3 program. In the Phase 2b trial, approximately 400 adult patients with moderate-to-severe facial acne vulgaris will be randomized into five separate arms evaluating different DRM01 dosing regimens compared to vehicle. Approximately 300 patients will receive DRM01 and approximately 100 will receive vehicle. Consistent with the preceding Phase 2a trial and in accordance with the published FDA draft guidance for the development of acne drugs, the primary endpoints are the absolute changes from baseline in inflammatory and non-inflammatory lesion counts and the proportion of patients achieving at least a two-point improvement from baseline in the five-point Investigator's Global Assessment, or IGA, score. Each endpoint will be measured at the end of the 12-week treatment period. The trial will be conducted at approximately 30 sites in the U.S. and Canada. Pending the successful

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completion of the Phase 2b trial and all applicable non-clinical work, we expect to include both adult and adolescent patients in a Phase 3 program.

End-of-Phase 2 meeting with FDA for DRM04. In April 2015, we held an end-of-Phase 2 meeting with the FDA for DRM04. Based on feedback from the FDA and the results of the Phase 2 program comprising three randomized, double-blind, vehicle-controlled clinical trials in 341 patients, we are finalizing the design of a Phase 3 program for DRM04 in axillary hyperhidrosis and plan to initiate the program in the second half of 2015.

U.S. patents covering DRM01 and DRM04. U.S. Patent No. 8,884,034 issued in November 2014 and includes claims covering DRM01, pharmaceutical compositions and methods of its use. U.S Patent Nos. 8,859,610 and 9,006,462 issued in October 2014 and April 2015, respectively, and include claims covering pharmaceutical solutions, topical solutions and absorbent pads comprising DRM04 and methods of its use.

Cash and cash equivalents and investments balance. As of June 30, 2015, we had $143.8 million in cash and cash equivalents and investments.

Selected Risks Associated with Our Business

Our business is subject to numerous risks and uncertainties, including those highlighted in the section entitled "Risk Factors" immediately following this prospectus summary. These risks include, but are not limited to, the following:

Our business is dependent on the successful development, regulatory approval and commercialization of our product candidates, primarily Cimzia, which we are developing in collaboration with UCB, DRM04 and DRM01.

We have had significant and increasing operating expenses, and we will require substantial additional financing to achieve our goals, which we may not be able to obtain when needed and on acceptable terms, or at all. We have a history of losses and may not be able to achieve or maintain profitability, which could cause our business and operating results to suffer.

The UCB agreement is terminable by UCB if we consummate a change of control with a significant number of competitor companies, which may adversely impact the likelihood that we will be acquired.

The UCB agreement requires us to pay substantial development costs in order for UCB to seek approval of Cimzia for the treatment of moderate-to-severe plaque psoriasis from the FDA, the European Medicines Agency and the Canadian federal department for health. Our inability to fund our obligations under the UCB agreement would harm our business and operating results.

Clinical drug development for our product candidates is expensive, time-consuming and uncertain. Our clinical trials may fail to adequately demonstrate the safety and efficacy of our product candidates, which could prevent or delay regulatory approval and commercialization.

We may be unable to obtain regulatory approval for Cimzia, DRM04, DRM01 or our early-stage product candidates under applicable regulatory requirements. The FDA and foreign regulatory bodies have substantial discretion in the approval process, including the ability to delay, limit or deny approval of product candidates. The delay, limitation or denial of any regulatory approval would adversely impact commercialization, our potential to generate revenue, our business and our operating results.

UCB substantially controls the governance of our collaboration, and may make decisions regarding product development, regulatory strategy and commercialization that may not be in our best interests.

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Our product candidates, if approved, will face significant competition, and our failure to effectively compete may prevent us from achieving significant market penetration.

We have in the past relied and expect to continue to rely on third-party contract research organizations and other third parties to conduct and oversee our clinical trials and other aspects of product development. If these third parties do not meet our requirements or otherwise conduct the trials as required, we may not be able to satisfy our contractual obligations or obtain regulatory approval for, or commercialize, our product candidates when expected or at all.

We will need to further increase the size and complexity of our organization in the future, and we may experience difficulties in executing our growth strategy and managing any growth.

We may not be able to obtain or enforce patent rights or other intellectual property rights that cover our product candidates and technologies that are of sufficient breadth to prevent third parties from competing against us.

Corporate Information

We were incorporated in the State of Delaware in August 2010 under the name Skintelligence, Inc. We changed our name to Dermira, Inc. in September 2011. Our principal executive offices are located at 275 Middlefield Road, Suite 150, Menlo Park, California 94025, and our telephone number is (650) 421-7200. Our website address is www.dermira.com. The information contained on, or that can be accessed through, our website is not a part of this prospectus. Investors should not rely on any such information in deciding whether to purchase our common stock.

Unless the context indicates otherwise, as used in this prospectus, the terms "Company," "Dermira," "Registrant," "we," "us" and "our" refer to Dermira, Inc., a Delaware corporation, and its sole subsidiary taken as a whole, unless otherwise noted.

We have registered the trademark "Dermira" in Australia, the European Union, Japan and Switzerland and have a trademark application for the trademark "Dermira" pending with the U.S. Patent and Trademark Office and the Canadian Intellectual Property Office. The Dermira logo and all product names are our common law trademarks. All other service marks, trademarks and tradenames appearing in this prospectus are the property of their respective owners. Solely for convenience, the trademarks and tradenames referred to in this prospectus appear without the ® and symbols, but those references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights, or the right of the applicable licensor to these trademarks and tradenames.

Implications of Being an Emerging Growth Company

As a company with less than $1.0 billion in revenue during our most recently completed fiscal year, we qualify as an "emerging growth company" as defined in Section 2(a) of the Securities Act of 1933, as amended, or the Securities Act, as modified by the Jumpstart Our Business Startups Act of 2012, or the JOBS Act. As an emerging growth company, we may take advantage of specified reduced disclosure and other requirements that are otherwise applicable, in general, to public companies that are not emerging growth companies. These provisions include:

reduced disclosure of financial information in this prospectus, including two years of audited financial information and two years of selected financial information;

an exemption from compliance with the auditor attestation requirement on the effectiveness of our internal control over financial reporting;

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an exemption from compliance with any requirement that the Public Company Accounting Oversight Board may adopt regarding mandatory audit firm rotation or a supplement to the auditor's report providing additional information about the audit and the financial statements;

reduced disclosure about our executive compensation arrangements; and

exemptions from the requirements to obtain a non-binding advisory vote on executive compensation or a stockholder approval of any golden parachute arrangements.

We may take advantage of some or all of these exemptions until we are no longer an emerging growth company. We would cease to be an emerging growth company upon the earliest to occur of: the last day of the fiscal year in which we have more than $1.0 billion in annual revenue; the date we qualify as a "large accelerated filer," with at least $700 million of equity securities held by non-affiliates; the issuance, in any three-year period, by us of more than $1.0 billion in non-convertible debt securities; and the last day of 2019. Accordingly, the information contained herein may be different than the information you receive from other public companies in which you hold stock.

However, we have irrevocably elected to not avail ourselves of the extended transition periods available under the JOBS Act for complying with new or revised accounting standards applicable to public companies and, therefore, will be subject to the same new or revised accounting standards as other public companies that are not emerging growth companies.

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The Offering

Shares of common stock offered by us	shares
Option to purchase additional shares offered by us	shares
Shares of common stock to be outstanding immediately after this offering	shares (shares if the underwriters' option to purchase additional shares is exercised in full)
Use of proceeds	We currently intend to use the net proceeds from this offering for external research and development expenses associated with the development of our Cimzia, DRM04 and DRM01 product candidates, with the balance primarily used to fund internal research and development expenses associated with all of our product candidates, working capital, capital expenditures and other general corporate purposes. See "Use of Proceeds."
Risk factors	You should read the "Risk Factors" section of this prospectus for a discussion of factors to consider carefully before deciding to invest in shares of our common stock.
NASDAQ symbol	"DERM"

The number of shares of common stock to be outstanding after this offering is based on 24,670,911 shares of common stock outstanding as of March 31, 2015 and excludes:

- 3,446,904 shares of our common stock issuable upon the exercise of outstanding options under our 2010 Equity Incentive Plan and 2014 Equity Incentive Plan as of March 31, 2015, with a weighted-average exercise price of $7.23 per share; and
- 2,140,459 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of (1) 1,592,449 shares of common stock reserved for issuance under the 2014 Equity Incentive Plan as of March 31, 2015 and (2) 548,010 shares of common stock reserved for issuance under the 2014 Employee Stock Purchase Plan as of March 31, 2015.

Unless otherwise noted, the information in this prospectus reflects and assumes the following:

- no exercise of outstanding options subsequent to March 31, 2015; and
- no exercise of the underwriters' option to purchase additional shares.

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Summary Consolidated Financial Data

The following tables summarize our consolidated financial data. We derived our summary consolidated statements of operations data for the years ended December 31, 2012, 2013 and 2014 from our audited consolidated financial statements incorporated by reference in this prospectus from our Annual Report on Form 10-K for the fiscal year ended December 31, 2014, or our 2014 Annual Report, and we have derived the following statements of operations data for the three months ended March 31, 2014 and 2015 and the balance sheet data as of March 31, 2015 from our unaudited interim financial statements incorporated by reference in this prospectus from our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, or our March 2015 Quarterly Report. Our unaudited interim consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles on the same basis as our audited annual consolidated financial statements and, in the opinion of management, reflect all adjustments, consisting only of normal, recurring adjustments, that are necessary for the fair presentation of our consolidated financial position as of March 31, 2015 and our consolidated results of operations for the three months ended March 31, 2014 and 2015. Our historical results are not necessarily indicative of the results to be expected in the future, and the results for the three months ended March 31, 2015 are not necessarily indicative of the results to be expected for the full year or any other period. You should read this data together with our financial statements and related notes, as well as the information under the captions "Selected Consolidated Financial Data" appearing in our 2014 Annual Report, which is incorporated by reference herein, and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing in our 2014 Annual Report and our March 2015 Quarterly Report, which are incorporated by reference herein.

	Year Ended December 31,			Three Months Ended March 31,	
	2012	2013	2014	2014	2015
	(in thousands, except share and per share amounts)				
				(unaudited)	
Consolidated Statements of Operations Data:					
Collaboration revenue from a related party	$	$	$ 7,300	$	$
Operating expenses:					
Research and development	17,055	17,937	30,710	6,685	10,088
General and administrative	3,148	4,366	8,288	1,812	4,146
Total operating expenses	20,203	22,303	38,998	8,497	14,234
Loss from operations	(20,203)	(22,303)	(31,698)	(8,497)	(14,234)
Interest and other income (expense), net	(51)	(38)	7	(9)	237
Interest expense		(9)	(153)	(33)	(38)
Loss before taxes	(20,254)	(22,350)	(31,844)	(8,539)	(14,035)
Provision for income taxes			31		
Net loss	$ (20,254)	$ (22,350)	$ (31,875)	$ (8,539)	$ (14,035)
Net loss per share, basic and diluted(1)	$ (27.99)	$ (27.03)	$ (4.96)	$ (9.56)	$ (0.57)
Weighted-average common shares used to compute net loss per share, basic and diluted(1)	723,607	826,757	6,426,022	893,542	24,655,011

(1) For an explanation of the calculations of our basic and diluted net loss per share, see (a) Note 2 to our audited financial statements included in our 2014 Annual Report incorporated by reference

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herein and (b) Note 2 to our financial statements included in our March 2015 Quarterly Report incorporated by reference herein.

	As of March 31, 2015	
	Actual	As Adjusted(1)(2)
	(in thousands)	
	(unaudited)	
Balance Sheet Data:		
Cash and cash equivalents and investments	$ 158,144	$
Working capital	112,494	
Total assets	165,611	
Bank term loan, current and non-current	1,940	
Additional paid-in capital	237,550	
Accumulated deficit	(96,684)	
Total stockholders' equity	140,859	

(1) The as adjusted column in the summary consolidated balance sheet data above reflects the effect of the issuance and sale by us of shares of our common stock in this offering, at an assumed public offering price of $ per share, which is the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

(2) Each $1.00 increase (decrease) in the assumed public offering price of $ per share, which was the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, would increase (decrease) each of cash and cash equivalents and investments, working capital, total assets and total stockholders' equity by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) each of cash and cash equivalents and investments, working capital, total assets and total stockholders' equity by approximately $ million, assuming that the assumed public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The as adjusted information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

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RISK FACTORS

Investing in our common stock involves a high degree of risk. You should consider carefully the risks and uncertainties described below, together with all of the other information in this prospectus, including the consolidated financial statements, the notes thereto and the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" contained in our Annual Report on Form 10-K for the year ended December 31, 2014, or 2014 Annual Report, and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2015, or March 2015 Quarterly Report, that are incorporated by reference into this prospectus before deciding whether to invest in shares of our common stock. The risks and uncertainties described below are not the only ones we face. Additional risks and uncertainties that we are unaware of or that we deem immaterial may also become important factors that adversely affect our business. If any of the following risks actually occur, our business, financial condition, results of operations and future prospects could be materially and adversely affected. In that event, the market price of our stock could decline, and you could lose part or all of your investment.

Risks Related to Development, Regulatory Approval and Commercialization

Our business is dependent on the successful development, regulatory approval and commercialization of our product candidates, primarily Cimzia, which we are developing in collaboration with UCB Pharma S.A., DRM04 and DRM01.

Our portfolio of five product candidates includes three late-stage product candidates: Cimzia (certolizumab pegol), an injectable biologic tumor necrosis factor-alpha inhibitor, or TNF inhibitor, for the treatment of moderate-to-severe plaque psoriasis; DRM04, a topical treatment for hyperhidrosis, or excessive sweating; and DRM01, a topical sebum inhibitor for the treatment of acne. We are also developing DRM02, a topical treatment targeting phosphodiesterase-4 for inflammatory skin diseases, and DRM05, a topical photodynamic therapy for acne. The success of our business, including our ability to finance our company and generate any revenue in the future, will primarily depend on the successful development, regulatory approval and commercialization of our late-stage product candidates. The successful development and commercialization of Cimzia is subject to a number of risks under our development and commercialization agreement with UCB, or the UCB agreement. For more information about these risks, see " Risks Related to Our Collaboration with UCB." In the future, we may also become dependent on one or more of our early-stage product candidates or any future product candidates that we may in-license, acquire or develop. The clinical and commercial success of our product candidates will depend on a number of factors, including the following:

- the ability to raise additional capital on acceptable terms, or at all;
- timely completion of our clinical trials, which may be significantly slower or cost more than we currently anticipate and will depend substantially upon the performance of third-party contractors;
- whether we are required by the U.S. Food and Drug Administration, or the FDA, or similar foreign regulatory agencies to conduct additional clinical trials beyond those planned to support the approval and commercialization of our product candidates or any future product candidates;
- acceptance of our proposed indications and primary endpoint assessments relating to the proposed indications of our product candidates by the FDA and similar foreign regulatory authorities;
- our ability to demonstrate to the satisfaction of the FDA and similar foreign regulatory authorities, the safety, efficacy and acceptable risk to benefit profile of our product candidates or any future product candidates;

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- the prevalence, duration and severity of potential side effects experienced with our product candidates or future approved products, if any;
- the timely receipt of necessary marketing approvals from the FDA and similar foreign regulatory authorities;
- achieving and maintaining, and, where applicable, ensuring that our third-party contractors achieve and maintain, compliance with our contractual obligations and with all regulatory requirements applicable to our product candidates or any future product candidates or approved products, if any;
- the ability of third parties with whom we contract to manufacture clinical trial and commercial supplies of our product candidates or any future product candidates, remain in good standing with regulatory agencies and develop, validate and maintain commercially viable manufacturing processes that are compliant with current good manufacturing practices, or cGMP;
- a continued acceptable safety profile during clinical development and following approval of our product candidates or any future product candidates;
- our ability to successfully commercialize our product candidates or any future product candidates in the United States and internationally, if approved for marketing, sale and distribution in such countries and territories, whether alone or in collaboration with others;
- acceptance by physicians and patients of the benefits, safety and efficacy of our product candidates or any future product candidates, if approved, including relative to alternative and competing treatments;
- our and our partners' ability to establish and enforce intellectual property rights in and to our product candidates or any future product candidates;
- our and our partners' ability to avoid third-party patent interference or intellectual property infringement claims; and
- our ability to in-license or acquire additional product candidates or commercial-stage products that we believe can be successfully developed and commercialized.

If we do not achieve one or more of these factors, many of which are beyond our control, in a timely manner or at all, we could experience significant delays or an inability to obtain regulatory approvals or commercialize our product candidates. Even if regulatory approvals are obtained, we may never be able to successfully commercialize any of our product candidates. Accordingly, we cannot assure you that we will be able to generate sufficient revenue through the sale of our product candidates or any future product candidates to continue our business.

We have had significant and increasing operating expenses and we will require substantial additional financing to achieve our goals, which we may not be able to obtain when needed and on acceptable terms, or at all. We have a history of losses and may not be able to achieve or maintain profitability, which could cause our business and operating results to suffer.

We are a clinical-stage specialty biopharmaceutical company with a limited operating history upon which you can evaluate our business and prospects. We are not profitable and have incurred losses in each year since we commenced operations in August 2010. We have incurred net losses of $14.0 million and $8.5 million for the three months ended March 31, 2015 and 2014, respectively. As of March 31, 2015, we had an accumulated deficit of $96.7 million.

We have financed our operations primarily through the sale of equity securities and convertible debt securities. Since our inception, most of our resources have been dedicated to the preclinical and clinical development of our product candidates. The size of our future net losses will depend, in part,

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on our future expenses and our ability to generate revenue, if any. Revenue from our current and potential future collaborations is uncertain because milestones or other contingent payments under our agreements may not be achieved or received.

As of March 31, 2015 and June 30, 2015, we had capital resources consisting of cash and cash equivalents and investments of $158.1 million and $143.8 million, respectively. We will continue to expend substantial cash resources for the foreseeable future for the clinical development of our product candidates and development of any other indications and product candidates we may choose to pursue. These expenditures will include costs associated with research and development, conducting preclinical studies and clinical trials, manufacturing and supply, as well as marketing and selling any products approved for sale. In particular, our Phase 3 clinical programs for our product candidates will require substantial funds to complete. We plan to finance the development and commercialization of Cimzia in part through milestone payments made by UCB under the UCB agreement. In addition, other unanticipated costs may arise. Because the conduct and results of any clinical trial are highly uncertain, we cannot reasonably estimate the actual amounts necessary to successfully complete the development and commercialization of our current and any future product candidates.

We believe that the net proceeds from this offering and our existing cash and cash equivalents and investments, together with interest thereon, will be sufficient to fund our operations through 2017. We have based these estimates, however, on assumptions that may prove to be wrong, and we could spend our available capital resources much faster than we currently expect or require more capital to fund our operations than we currently expect. Our currently anticipated expenditures for the development and potential commercialization of our lead product candidates, Cimzia, DRM04 and DRM01, exceed the net proceeds from this offering and our existing cash and cash equivalents and investments. We will need to raise additional capital following this offering to fund our operations and continue to support our planned research and development and commercialization activities. We have substantial contractual obligations to UCB. For more information about our collaboration with UCB, see "Business Collaborations and License Agreements Collaboration with UCB" in our 2014 Annual Report, which is incorporated by reference in this prospectus. In the event we are unable to raise sufficient capital to fund our development and commercialization obligations to UCB, we will face significant contractual liability.

The amount and timing of our future funding requirements will depend on many factors, including:

- the timing, rate of progress and cost of any preclinical and clinical trials and other product development activities for our current and any future product candidates that we develop, in-license or acquire;
- the results of the clinical trials for our product candidates in the United States and any foreign countries;
- the timing of, and the costs involved in, FDA approval and any foreign regulatory approval of our product candidates, if at all;
- the number and characteristics of any additional future product candidates we develop or acquire;
- our ability to establish and maintain strategic collaborations, licensing, co-promotion or other arrangements and the terms and timing of such arrangements;
- the cost of commercialization activities if our current or any future product candidates are approved for sale, including manufacturing, marketing, sales and distribution costs;
- the degree and rate of market acceptance of any approved products;

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- costs under our third-party manufacturing and supply arrangements for our current and any future product candidates and any products we commercialize;
- costs and timing of completion of any additional outsourced commercial manufacturing or supply arrangements that we may establish;
- costs of preparing, filing, prosecuting, maintaining, defending and enforcing any patent claims and other intellectual property rights associated with our product candidates, including post-grant challenges or opposition to third-party patent claims;
- costs associated with prosecuting or defending any litigation that we may become involved in and any damages payable by us that result from such litigation;
- costs associated with any product recall that could occur;
- costs of operating as a public company;
- the emergence, approval, availability, perceived advantages, relative cost, relative safety and relative efficacy of alternative and competing products or treatments;
- costs associated with any acquisition or in-license of products and product candidates, technologies or businesses; and
- personnel, facilities and equipment requirements.

We cannot be certain that additional funding will be available on acceptable terms, or at all. Our current loan and security agreement contains negative covenants that restrict our ability to obtain additional debt financing. Any future debt financing into which we enter may impose upon us covenants that restrict our operations, including limitations on our ability to incur liens or additional debt, pay dividends, redeem our stock, make certain investments and engage in certain merger, consolidation or asset sale transactions. In addition, we may seek additional capital due to favorable market conditions or strategic considerations even if we believe that we have sufficient funds for our current or future operating plans.

In order to fund the development and potential commercialization of our product candidates, we may also need to enter into collaboration agreements with pharmaceutical and biotechnology companies. Our ability to establish and maintain these collaborations is highly uncertain and subject to a number of variables. Under these arrangements, we may be responsible for substantial costs in connection with the clinical development, regulatory approval or the commercialization of a partnered product candidate. Furthermore, the payments we could receive from our potential collaboration partners may be subject to numerous conditions and may ultimately be insufficient to cover the cost of this development and commercialization.

If we are unable to raise additional capital when required or on acceptable terms, we may be required to significantly delay, scale back or discontinue one or more of our product development programs or commercialization efforts, or other aspects of our business plan. In addition, our ability to achieve profitability or to respond to competitive pressures would be significantly limited.

The UCB agreement requires us to pay substantial development costs in order for UCB to seek approval of Cimzia for the treatment of moderate-to-severe plaque psoriasis from the FDA, the European Medicines Agency and the Canadian federal department for health. Our inability to fund our obligations under the UCB agreement would harm our business and operating results.

The UCB agreement requires us to pay all development costs in order for UCB to seek approval of Cimzia for the treatment of moderate-to-severe plaque psoriasis from the FDA, the European Medicines Agency, or the EMA, as established by Regulation (EC) 2309/93

and Regulation (EC) 726/2004, and the Canadian federal department for health, or Health Canada, up to a specified

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amount greater than $75.0 million and less than $95.0 million, with any development costs in excess of this amount to be shared equally by us and UCB. Delays in the commencement, enrollment and completion of clinical trials, including as a result of regulatory requirements, could substantially increase our product development costs. We do not know whether our planned clinical trials will begin on time or will be completed on budget or on schedule, or at all. While UCB is obligated to pay us if certain development and regulatory approval milestones are met, these milestone payments will not increase even if our development costs increase, so we would be required to bear a greater portion of any increased costs, which would adversely impact our financial position. The costs associated with product development can increase for a variety of reasons, including:

- the terms of agreements with prospective contract research organizations, or CROs, and trial sites, which can be subject to extensive negotiation and may vary significantly among different CROs, trial sites and other third-party contractors;
- identification and maintenance of a sufficient number of trial sites, many of which may already be engaged in other clinical trial programs;
- withdrawal of clinical trial sites from our clinical trials as a result of changing standards of care or the ineligibility of a site to participate in our clinical trials;
- inability to obtain institutional review board, or IRB, approval to conduct a clinical trial at prospective sites;
- increase in the time and expense required to conduct clinical trials due to difficulties in recruiting and enrolling patients to participate in clinical trials for a variety of reasons, including meeting the enrollment criteria for our study and competition from other clinical trial programs for the treatment of psoriasis; and
- inability to retain patients in clinical trials due to the treatment protocol, length of treatment period, personal issues, side effects from the therapy or lack of efficacy, particularly for those patients receiving placebo.

In addition, a clinical trial may be suspended or terminated by us, UCB, the FDA, the EMA, Health Canada or other regulatory authorities due to a number of factors, including:

- failure to conduct the clinical trial in accordance with regulatory requirements or our clinical protocols;
- failed inspection of the clinical trial operations or trial sites by the FDA, the EMA, Health Canada or other regulatory authorities;
- unforeseen safety issues or any determination that a clinical trial presents unacceptable health risks;
- inability to fully enroll clinical trials; and
- lack of adequate funding to continue the clinical trial due to unforeseen costs resulting from enrollment delays, requirements to conduct additional trials and studies, increased expenses associated with the services of our CROs and other third parties or other reasons.

Clinical drug development for our product candidates is very expensive, time-consuming and uncertain. Our clinical trials may fail to adequately demonstrate the safety and efficacy of our product candidates, which could prevent or delay regulatory approval and commercialization.

Clinical drug development for our product candidates is very expensive, time-consuming and difficult to design and implement, and its outcome is inherently uncertain. Before obtaining regulatory approval for the commercial sale of a product candidate, we must demonstrate through clinical trials

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that a product candidate is both safe and effective for use in the target indication. Most product candidates that commence clinical trials are never approved by regulatory authorities for commercialization. Our product candidates are in various stages of development. We expect that clinical trials for these product candidates will continue for several years, but may take significantly longer than expected to complete. In addition, we, any partner with which we currently or may in the future collaborate, the FDA, an IRB or other regulatory authorities, including state and local agencies and counterpart agencies in foreign countries, may suspend, delay, require modifications to or terminate our clinical trials at any time, for various reasons, including:

- discovery of serious or unexpected toxicities or side effects experienced by study participants or other safety issues;
- lack of effectiveness of any product candidate during clinical trials or the failure of our product candidates to meet specified endpoints;
- slower than expected rates of subject recruitment and enrollment rates in clinical trials resulting from numerous factors, including the prevalence of other companies' clinical trials for their product candidates for the same indication, such as psoriasis, or clinical trials for indications for which patients do not as commonly seek treatment, such as hyperhidrosis;
- difficulty in retaining subjects who have initiated a clinical trial but may withdraw at any time due to adverse side effects from the therapy, insufficient efficacy, fatigue with the clinical trial process or for any other reason;
- difficulty in obtaining IRB approval for studies to be conducted at each site;
- delays in manufacturing or obtaining, or inability to manufacture or obtain, sufficient quantities of materials for use in clinical trials;
- inadequacy of or changes in our manufacturing process or the product formulation or method of delivery;
- changes in applicable laws, regulations and regulatory policies;
- delays or failure in reaching agreement on acceptable terms in clinical trial contracts or protocols with prospective CROs, clinical trial sites and other third-party contractors;
- inability to add a sufficient number of clinical trial sites;
- uncertainty regarding proper dosing;
- failure of our CROs or other third-party contractors to comply with contractual and regulatory requirements or to perform their services in a timely or acceptable manner;
- failure by us, our employees, our CROs or their employees or any partner with which we may collaborate or their employees to comply with applicable FDA or other regulatory requirements relating to the conduct of clinical trials or the handling, storage, security and recordkeeping for drug and biologic products;

scheduling conflicts with participating clinicians and clinical institutions;

failure to design appropriate clinical trial protocols;

inability or unwillingness of medical investigators to follow our clinical protocols;

difficulty in maintaining contact with subjects during or after treatment, which may result in incomplete data; or

insufficient data to support regulatory approval.

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In the case of our topical product candidates, we are seeking to deliver sufficient concentrations of the active pharmaceutical ingredient, or API, through the skin barrier to the targeted dermal tissue to achieve the intended therapeutic effect. As a result, safety and efficacy can be difficult to establish. The topical route of administration may involve new dosage forms, which can be difficult to develop and manufacture and may raise novel regulatory issues and result in development or review delays. For example, the dosage form for DRM04 is an API-saturated wipe, and we are not aware of previous FDA approvals of prescription drug wipes.

We or any partner with which we may collaborate may suffer significant setbacks in our clinical trials similar to the experience of a number of other companies in the pharmaceutical and biotechnology industries, even after receiving promising results in earlier trials. In the event that we or our potential partners abandon or are delayed in the clinical development efforts related to our product candidates, we may not be able to execute on our business plan effectively and our business, financial condition, operating results and prospects would be harmed. In particular, for Cimzia, if we experience delays in the completion of, or if we terminate, clinical trials, our ability to receive development-, regulatory- or sales-based milestone payments and royalties under the UCB agreement will be reduced, delayed or prevented.

We may be unable to obtain regulatory approval for Cimzia, DRM04, DRM01 or our early-stage product candidates under applicable regulatory requirements. The FDA and foreign regulatory bodies have substantial discretion in the approval process, including the ability to delay, limit or deny approval of product candidates. The delay, limitation or denial of any regulatory approval would adversely impact commercialization, our potential to generate revenue, our business and our operating results.

We currently have no products approved for sale, and we may never obtain regulatory approval to commercialize any of our current or future product candidates. The research, testing, manufacturing, safety surveillance, efficacy, quality control, recordkeeping, labeling, packaging, storage, approval, sale, marketing, distribution, import, export and reporting of safety and other post-market information related to our drug products are subject to extensive regulation by the FDA and other regulatory authorities in the United States and in foreign countries, and such regulations differ from country to country. We are not permitted to market any of our current product candidates in the United States until we receive approval of a new drug application, or NDA, or biologics license application, or BLA, or other applicable regulatory filing from the FDA. We are also not permitted to market any of our current product candidates in any foreign countries until we receive the requisite approval from the applicable regulatory authorities of such countries.

To gain approval to market a biologic product such as Cimzia or a new drug such as DRM04 or DRM01, the FDA and foreign regulatory authorities must receive preclinical, clinical and chemistry, manufacturing and controls data that adequately demonstrate the safety, purity, potency, efficacy and compliant manufacturing of the product for the intended indication applied for in an NDA, BLA or other applicable regulatory filing. The development and approval of biologic and new drug products involves a long, expensive and uncertain process, and delay or failure can occur at any stage. A number of companies in the pharmaceutical and biopharmaceutical industry have suffered significant setbacks in clinical trials, including in Phase 3 clinical development, even after promising results in earlier preclinical studies or clinical trials. These setbacks have been caused by, among other things, findings made while clinical trials were underway and safety or efficacy observations made in clinical trials, including previously unreported adverse events. Success in preclinical testing and early clinical trials does not ensure that later clinical trials will be successful, and the results of clinical trials by other parties may not be indicative of the results in trials we or our partners may conduct. For example, in the Phase 2 clinical trial for Cimzia in moderate-to-severe plaque psoriasis, a six-point physical global assessment, or PGA, scale was used, and in our Phase 3 clinical trials, we are using a five-point PGA scale similar to the scale that was used to support the approval of Cosentyx. As a result, data from our

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Phase 2 clinical trial may not accurately predict Phase 3 results. In addition, for DRM04, the results of our Phase 2a and Phase 2b clinical trials may not accurately predict results in our Phase 3 clinical trials that will have larger numbers of patients. Even for a drug such as Cimzia that has been approved for multiple indications, regulatory review processes are lengthy and uncertain.

The FDA and foreign regulatory bodies have substantial discretion in the drug approval process, including the ability to delay, limit or deny approval of product candidates for many reasons, including:

- the FDA or the applicable foreign regulatory body may disagree with the design or implementation of one or more clinical trials;
- the FDA or the applicable foreign regulatory body may not deem a product candidate safe and effective for its proposed indication, or may deem a product candidate's safety or other perceived risks to outweigh its clinical or other benefits;
- the FDA or the applicable foreign regulatory body may not find the data from preclinical studies and clinical trials, including the number of subjects in the safety database, sufficient to support approval, or the results of clinical trials may not meet the level of statistical or clinical significance required by the FDA or the applicable foreign regulatory body for approval;
- the FDA or the applicable foreign regulatory body may disagree with our interpretation of data from preclinical studies or clinical trials performed by us or third parties, or with the interpretation of any partner with which we may collaborate;
- the data collected from clinical trials may not be sufficient to support the submission of an NDA, BLA or other applicable regulatory filing;
- the FDA or the applicable foreign regulatory body may require additional preclinical studies or clinical trials;
- the FDA or the applicable foreign regulatory agency may identify deficiencies in the formulation, manufacturing, quality control, labeling or specifications of our current or future product candidates;
- the FDA or the applicable foreign regulatory agency may require clinical trials in pediatric patients in order to establish pharmacokinetics or safety for this more drug-sensitive population;
- the FDA or the applicable foreign regulatory agency may grant approval contingent on the performance of costly additional post-approval clinical trials;
- the FDA or the applicable foreign regulatory agency also may approve our current or any future product candidates for a more limited indication or a narrower patient population than we originally requested;
- the FDA or applicable foreign regulatory agency may not approve the labeling that we believe is necessary or desirable for the successful commercialization of our product candidates;
- the FDA or the applicable foreign regulatory body may not approve of the manufacturing processes, controls or facilities of third-party manufacturers or testing labs with which we contract;

the FDA or the applicable foreign regulatory body may not approve or grant marketing clearance of a device intended to be used in combination with our product candidates, such as an auto-injector with Cimzia or light source with DRM05; or

the FDA or the applicable foreign regulatory body may change its approval policies or adopt new regulations in a manner rendering our clinical data or regulatory filings insufficient for approval.

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Of the large number of drugs, including biologics, in development, only a small percentage successfully complete the FDA or other regulatory approval processes and are commercialized. For example, the FDA may not agree with our Phase 3 clinical trial protocols for Cimzia. In addition, our product candidates may not be approved by the FDA or applicable foreign regulatory agencies even though they meet specified endpoints in our clinical trials. The FDA or applicable foreign regulatory agencies may ask us to conduct additional costly and time-consuming clinical trials in order to obtain marketing approval or approval to enter into an advanced phase of development, or may change the requirements for approval even after such agency has reviewed and commented on the design for the clinical trials. In our collaboration with UCB, we are required to pursue development in support of UCB seeking approval from each of the FDA, the EMA and Health Canada, although we have the right to abandon pursuit of regulatory approval in Canada. If UCB is unable to obtain and retain regulatory approval for the marketing of Cimzia for psoriasis, we could lose our ability to receive royalties and regulatory- and sales-based milestone payments, which would adversely affect our financial position and business.

Any delay in obtaining, or inability to obtain, applicable regulatory approval for any of our product candidates would delay or prevent commercialization of our product candidates and would harm our business, financial condition, operating results and prospects.

UCB substantially controls the governance of our collaboration, and may make decisions regarding product development, regulatory strategy and commercialization that may not be in our best interests.

To oversee the parties' activities in the collaboration, the UCB agreement provides for the establishment of a joint steering committee, joint development team, joint development committee, joint commercialization team and joint commercialization committee on which we each have representation, and while the parties have agreed to make committee decisions by consensus, UCB has final decision-making authority for the overall regulatory, development and commercialization strategy for Cimzia, market access activities, pricing and reimbursement activities, promotion, distribution, packaging, sales and safety and pharmacovigilance.

In exercising its final decision-making authority, UCB may make decisions regarding product development or regulatory strategy based on its determination of how to best preserve and extend regulatory approvals for Cimzia in indications other than psoriasis, which may delay or prevent achieving regulatory approval for Cimzia for the treatment of psoriasis.

If Cimzia does receive regulatory approval for the treatment of psoriasis in the United States or Canada, UCB could use its final decision-making authority to direct our market access, promotional or medical affairs activities to dermatologists in ways that would adversely impact sales attributable to dermatologists, including due to a concern that such activities could adversely impact sales of Cimzia attributable to physicians other than dermatologists, for which UCB is not required to pay us royalties or milestone payments. If such limitations resulted in reduced sales of Cimzia to dermatologists, the royalties and sales-based milestone payments we could receive under the UCB agreement would be adversely affected, negatively impacting our financial performance.

We have never completed a Phase 3 clinical trial, and may be unable to successfully do so for any of our product candidates.

The conduct of a Phase 3 clinical trial is a complicated process. Although our employees have conducted Phase 3 clinical trials in the past while employed at other companies, we as a company have not completed a Phase 3 clinical trial, and as a result may require more time and incur greater costs than we anticipate. For example, we commenced the Phase 3 clinical program for Cimzia in December 2014 and intend to commence Phase 3 clinical trials for DRM04 in the second half of 2015. Failure to commence or complete, or delays in, our planned Phase 3 clinical trials would prevent us from or delay

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us in obtaining regulatory approval of and commercializing our product candidates and could prevent us from or delay us in receiving development- or regulatory-based milestone payments and commercializing Cimzia for the treatment of psoriasis and DRM04 for hyperhidrosis, which would adversely impact our financial performance.

Even if our current product candidates or any future product candidates obtain regulatory approval, they may fail to achieve the broad degree of physician and patient adoption and use necessary for commercial success.

The commercial success of any of our current or future product candidates, if approved, will depend significantly on the broad adoption and use of the resulting product by physicians and patients for approved indications. Our product candidates may not be commercially successful. The degree and rate of physician and patient adoption of our current or future product candidates, if approved, will depend on a number of factors, including:

- the clinical indications for which the product is approved and patient demand for approved products that treat those indications;
- the effectiveness of our product as compared to other available therapies;
- the availability of coverage and adequate reimbursement from managed care plans and other healthcare payors for any of our product candidates that may be approved;
- the cost of treatment with our product candidates in relation to alternative treatments and willingness to pay for the product, if approved, on the part of patients;
- acceptance by physicians, major operators of clinics and patients of the product as a safe and effective treatment;
- physician and patient willingness to adopt a new therapy over other available therapies to treat approved indications;
- in the case of hyperhidrosis, patients' perception of the condition as one for which medical treatment may be appropriate and a prescription therapy may be available;
- overcoming any biases physicians or patients may have toward particular therapies for the treatment of approved indications;
- proper training and administration of our product candidates by physicians and medical staff;
- patient satisfaction with the results and administration of our product candidates and overall treatment experience;
- the willingness of patients to pay for certain of our product candidates relative to other discretionary items, especially during economically challenging times;
- the revenue and profitability that our product candidate may offer a physician as compared to alternative therapies;

the prevalence and severity of side effects;

limitations or warnings contained in the FDA-approved labeling for our product candidates;

any FDA requirement to undertake a risk evaluation and mitigation strategy, or REMS;

the effectiveness of our sales, marketing and distribution efforts;

adverse publicity about our product candidates or favorable publicity about competitive products; and

potential product liability claims.

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If any of our current or future product candidates are approved for use but fail to achieve the broad degree of physician and patient adoption necessary for commercial success, our operating results and financial condition will be adversely affected, which may delay, prevent or limit our ability to generate revenue and continue our business.

Enbrel, Humira and Stelara, injectable biologics for the treatment of moderate-to-severe plaque psoriasis, achieved aggregate worldwide sales of $5.1 billion in 2013 and we are uncertain whether this market, including off-label use of other injectable biologics for the treatment of psoriasis, has peaked or may still grow and whether we could displace any existing market share if Cimzia is approved for the treatment of moderate-to-severe plaque psoriasis. In particular, Cimzia's administration schedule may not be perceived as advantageous and its theoretical advantages may not lead to a perception of Cimzia being safer or comparably effective to Humira or Enbrel. Even if approved for moderate-to-severe plaque psoriasis, we may not be able to utilize directly comparative head-to-head data on the clinical performance of Cimzia relative to other TNF inhibitors or biologics in our marketing materials and may not be able to promote any theoretical advantages that are not in our approved product labeling.

Our product candidates, if approved, will face significant competition and our failure to effectively compete may prevent us from achieving significant market penetration.

The pharmaceutical industry is characterized by rapidly advancing technologies, intense competition and a strong emphasis on developing proprietary therapeutics. Numerous companies are engaged in the development, patenting, manufacturing and marketing of health care products competitive with those that we are developing. We face competition from a number of sources, such as pharmaceutical companies, generic drug companies, biotechnology companies and academic and research institutions, many of which have greater financial resources, marketing capabilities, sales forces, manufacturing capabilities, research and development capabilities, clinical trial expertise, intellectual property portfolios, experience in obtaining patents and regulatory approvals for product candidates and other resources than we do. Some of the companies that offer competing products also have a broad range of other product offerings, large direct sales forces and long-term customer relationships with our target physicians, which could inhibit our market penetration efforts. In addition, certain of our product candidates, if approved, may compete with other dermatological products, including over-the-counter treatments, for a share of some patients' discretionary budgets and for physicians' attention within their clinical practices.

Many pharmaceutical companies currently offer products, and continue to develop additional alternative product candidates and technologies, for indications similar to those targeted by our product candidates, including AbbVie Inc., Allergan plc, Amgen Inc., Anacor Pharmaceuticals, Inc., Anterios, Inc., Astellas Pharma US, Inc., Bayer HealthCare AG (formerly Intendis, Inc.), Brickell Biotech, Inc., Celgene International, Eisai Co., Ltd., Galderma S.A., GlaxoSmithKline LLC, or GSK, Janssen Biotech, Inc., Johnson & Johnson, LEO Pharma A/S, Eli Lilly and Company, Maruho Co., Ltd., Merck & Co., Inc., Miramar Labs, Inc., Mitsubishi Tanabe Pharma Corporation, Mylan Inc., Novartis International AG, Pfizer Inc., Regeneron Pharmaceuticals, Inc., Revance Therapeutics, Inc., Takeda Pharmaceutical Company Limited, Teva Pharmaceutical Industries Ltd. and Valeant Pharmaceuticals International. The markets for dermatological therapies are competitive and are characterized by significant technological development and new product introduction. We anticipate that, if we obtain regulatory approval of our product candidates, we will face significant competition from other approved therapies. If approved, our product candidates may also compete with unregulated, unapproved and off-label treatments. Certain of our product candidates, if approved, will present novel therapeutic approaches for the approved indications and will have to compete with existing therapies, some of which are widely known and accepted by physicians and patients. To compete successfully in this market, we will have to demonstrate that the relative cost, safety and efficacy of our approved products, if any, provide an attractive alternative to existing and other new

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therapies. Such competition could lead to reduced market share for our product candidates and contribute to downward pressure on the pricing of our product candidates, which could harm our business, financial condition, operating results and prospects. For more information about the competition we face, see "Business Competition" in our 2014 Annual Report, which is incorporated by reference in this prospectus.

Due to less stringent regulatory requirements in certain foreign countries, there are many more dermatological products and procedures available for use in those international markets than are approved for use in the United States. In certain international markets, there are also fewer limitations on the claims that our competitors can make about the effectiveness of their products and the manner in which they can market them. As a result, we expect to face more competition in these markets than in the United States.

Cimzia faces intense competition and most of our competitors have significantly greater resources than we do.

If approved for the treatment of psoriasis, Cimzia will face direct competition from numerous other injectable products such as Cosentyx, Enbrel, Humira, Remicade and Stelara, and the existence of these products may limit the market size for Cimzia. In addition, Cimzia will compete against oral systemic treatments for psoriasis, which include acitretin, apremilast, methotrexate and cyclosporine, and against a number of approved topical treatments for psoriasis, including branded drugs and generic versions where available. There are a number of other treatments used for psoriasis, including light-based treatments, topical corticosteroids and non-prescription topical treatments. Certain alternative treatments offered by competitors may be available at lower prices and may offer greater efficacy or better safety profiles.

Additional products and treatments, including numerous injectable biological products currently in clinical trials, may also receive regulatory approval in one or more territories in which we compete, and these existing and new products may be more effective, more widely used and less costly than ours, which may reduce the sales on which we receive royalties and sales-based milestone payments under the UCB agreement. Even if a generic product or an over-the-counter product is less effective than our product candidates, a less effective generic or over-the-counter product may be more quickly adopted by health insurers, physicians and patients than our competing product candidates based upon cost or convenience.

Cimzia may face competition from biosimilars, which may have an adverse impact on future sales.

Even if Cimzia for the treatment of psoriasis achieves regulatory approval, we may face competition from biosimilars. In the United States, the Biologics Price Competition and Innovation Act of 2009, or BPCIA, created an abbreviated approval pathway for biological products that are demonstrated to be "highly similar," or "biosimilar," to or "interchangeable" with an FDA-approved biological product. This new pathway could allow competitors to reference the FDA's prior determinations regarding innovative biological products and to obtain approval of a biosimilar application 12 years after the time of approval of the innovative biological product. The 12-year exclusivity period runs from the initial approval of the innovator product and not from approval of a new indication. In addition, the 12-year exclusivity period does not prevent another company from developing a product that is highly similar to the innovative product, generating all the data necessary for a full BLA and seeking approval. Exclusivity only assures that another company cannot rely on the FDA's prior determinations in approving a BLA for an innovator's biological product to support the biosimilar product's approval. Further, under the FDA's current interpretation, it is possible that a biosimilar applicant could obtain approval for one or more of the indications approved for the innovator product by extrapolating clinical data from one indication to support approval for the other indications. In his proposed budget for fiscal year 2014, President Obama proposed to reduce this 12-year period of exclusivity to seven years and proposed to prohibit additional periods of exclusivity

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due to minor changes in product formulations, a practice often referred to as "evergreening." It is possible that Congress may take these or other measures to reduce or eliminate periods of exclusivity. The BPCIA is complex and only beginning to be interpreted and implemented by the FDA. As a result, its ultimate impact, implementation and meaning are subject to uncertainty. While it is uncertain when any such processes may be fully adopted by the FDA, any such processes could have an adverse effect on the future commercial prospects for Cimzia. If competitors are able to obtain marketing approval for biosimilars referencing Cimzia or other branded biologic products against which Cimzia competes, Cimzia may become subject to competition from such biosimilars. Such competition could lead to off-label use of the biosimilar for psoriasis or reduced market share and contribute to downward pressure on pricing and reduced profit margins.

We expect to face generic competition for our product candidates, which could adversely affect our business, financial condition, operating results and prospects.

Upon the expiration or loss of any patent protection for any of our product candidates that are approved, or upon the "at-risk" launch, despite pending patent infringement litigation against the generic product, by a generic competitor of a generic version of any of our product candidates that are approved, which may be sold at significantly lower prices than our approved product candidates, we could lose a significant portion of sales of that product in a short period of time, which would adversely affect our business, financial condition, operating results and prospects. In particular, our DRM04 product candidate faces competition from currently marketed generic oral and compounded topical anticholinergic agents. In addition, we may be subject to additional competition from third parties pursuing topical formulations of other anticholinergic agents for hyperhidrosis.

Use of subjective assessments of efficacy by patients, including patient-reported outcome assessments, or PROs, in our DRM04 clinical trials may delay the development of DRM04 or increase our development costs.

Due to the difficulty of objectively measuring the symptoms of hyperhidrosis, subjective assessments of efficacy by patients are expected to have an important role in the development and regulatory approval of our DRM04 product candidate. Subjective assessments, such as PROs, involve patients' subjective assessments of efficacy, and this subjectivity increases the uncertainty of determining clinical endpoints. Such assessments can be influenced by factors outside of our control, and can vary widely from day to day for a particular patient, from patient to patient and from site to site within a clinical trial. Furthermore, we have used an existing tool, the Hyperhidrosis Disease Severity Scale, or HDSS, and a new PRO in our Phase 2 clinical program to assess efficacy in a subjective manner. We may use one or both tools, along with an objective measure, sweat production, to assess efficacy in our planned Phase 3 clinical program for DRM04. The FDA may not agree with our endpoints, potentially making additional clinical trials necessary which would delay the development of DRM04 and increase our costs.

Any product candidates that we commercialize, or that any partner with which we may collaborate commercializes, will be subject to ongoing and continued regulatory review.

Even after we or our partners achieve U.S. regulatory approval for a product candidate, if any, we or our partners will be subject to continued regulatory review and compliance obligations. For example, with respect to our product candidates, the FDA may impose significant restrictions on the approved indicated uses for which the product may be marketed or on the conditions of approval. A product candidate's approval may contain requirements for potentially costly post-approval studies and surveillance, including Phase 4 clinical trials or other REMS, to monitor the safety and efficacy of the product. We will also be subject to ongoing FDA obligations and continued regulatory review with respect to, among other things, the manufacturing, processing, labeling, packaging, distribution, adverse event reporting, storage, advertising, promotion and recordkeeping for our product candidates. These

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requirements include submissions of safety and other post-marketing information and reports, registration, as well as continued compliance with cGMP requirements and with the FDA's good clinical practice, or GCP, requirements and good laboratory practice, or GLP, requirements, which are regulations and guidelines enforced by the FDA for all of our product candidates in clinical and preclinical development, and for any clinical trials that we conduct post-approval. To the extent that a product candidate is approved for sale in other countries, we may be subject to similar restrictions and requirements imposed by laws and government regulators in those countries.

In addition, manufacturers of drug and biologic products and their facilities are subject to continual review and periodic inspections by the FDA and other regulatory authorities for compliance with cGMP regulations. If we or a regulatory agency discovers previously unknown problems with a product, such as adverse events of unanticipated severity or frequency, or problems with the facility where, or processes by which, the product is manufactured, a regulatory agency may impose restrictions on that product or us, including requesting that we initiate a product recall, or requiring notice to physicians, withdrawal of the product from the market or suspension of manufacturing.

If we, our product candidates or the manufacturing facilities for our product candidates fail to comply with applicable regulatory requirements, a regulatory agency may:

- impose restrictions on the marketing or manufacturing of the product, suspend or withdraw product approvals or revoke necessary licenses;
- mandate modifications to promotional materials or require us to provide corrective information to healthcare practitioners;
- require us or our partners to enter into a consent decree, which can include imposition of various fines, reimbursements for inspection costs, required due dates for specific actions and penalties for noncompliance;
- issue warning letters, show cause notices or untitled letters describing alleged violations, which may be publicly available;
- commence criminal investigations and prosecutions;
- impose injunctions, suspensions or revocations of necessary approvals or other licenses;
- impose other civil or criminal penalties;
- suspend any ongoing clinical trials;
- delay or refuse to approve pending applications or supplements to approved applications filed by us or our potential partners;
- refuse to permit drugs or precursor chemicals to be imported or exported to or from the United States;
- suspend or impose restrictions on operations, including costly new manufacturing requirements; or
- seize or detain products or require us or our partners to initiate a product recall.

The regulations, policies or guidance of the FDA and other applicable government agencies may change and new or additional statutes or government regulations may be enacted that could prevent or delay regulatory approval of our product candidates or further restrict or regulate post-approval activities. We cannot predict the likelihood, nature or extent of adverse government regulation that may arise from future

legislation or administrative action, either in the United States or abroad. If we are not able to achieve and maintain regulatory compliance, we may not be permitted to market our

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product candidates, which would adversely affect our ability to generate revenue and achieve or maintain profitability.

We have conducted, are conducting and may in the future conduct clinical trials for our product candidates outside the United States and the FDA and applicable foreign regulatory authorities may not accept data from such trials.

We have conducted, are conducting and may in the future choose to conduct, one or more of our clinical trials outside the United States, including in Canada and Europe. For example, in December 2014, we commenced our Phase 3 clinical program for Cimzia in multiple countries. Although the FDA or applicable foreign regulatory authority may accept data from clinical trials conducted outside the United States or the applicable jurisdiction, acceptance of such study data by the FDA or applicable foreign regulatory authority may be subject to certain conditions. Where data from foreign clinical trials are intended to serve as the basis for marketing approval in the United States, the FDA will not approve the application on the basis of foreign data alone unless those data are applicable to the U.S. population and U.S. medical practice; the studies were performed by clinical investigators of recognized competence; and the data are considered valid without the need for an on-site inspection by the FDA or, if the FDA considers such an inspection to be necessary, the FDA is able to validate the data through an on-site inspection or other appropriate means. Many foreign regulatory bodies have similar requirements. In addition, such foreign studies would be subject to the applicable local laws of the foreign jurisdictions where the studies are conducted. There can be no assurance the FDA or applicable foreign regulatory authority will accept data from trials conducted outside of the United States or the applicable jurisdiction. If the FDA or applicable foreign regulatory authority does not accept such data, it would likely result in the need for additional trials, which would be costly and time-consuming and delay aspects of our business plan.

Our product candidates may cause undesirable side effects or have other unexpected properties that could delay or prevent their regulatory approval, limit the commercial profile of an approved label or result in post-approval regulatory action.

Unforeseen side effects from any of our product candidates could arise either during clinical development or, if approved, after the approved product has been marketed. Undesirable side effects caused by product candidates could cause us, any partners with which we may collaborate or regulatory authorities to interrupt, modify, delay or halt clinical trials and could result in a more restrictive label or the delay or denial of regulatory approval by the FDA or comparable foreign authorities. For example, if we obtain regulatory approval for Cimzia for the treatment of moderate-to-severe plaque psoriasis, we expect that regulatory authorities will require us to include the same box warning regarding increased risk of serious infections that may lead to hospitalization or death and a potential association with increased cancer risk in TNF inhibitors, of which Cimzia is one, that is currently included in labeling for Cimzia for the treatment of other indications. Results of clinical trials could reveal a high and unacceptable severity and prevalence of side effects. In such an event, trials could be suspended or terminated and the FDA or comparable foreign regulatory authorities could order us, or our potential partners, to cease further development of or deny approval of product candidates for any or all targeted indications. The drug-related side effects could affect patient recruitment or the ability of enrolled patients to complete the trial or result in product liability claims. Any of these occurrences may harm our business, financial condition, operating results and prospects.

Additionally, if we or others identify undesirable side effects, or other previously unknown problems, caused by our product candidates after obtaining U.S. or foreign regulatory approval or other products with the same or related active ingredients, a number of potentially negative consequences could result, including:

- regulatory authorities may withdraw their approval of the product;

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regulatory authorities may require a recall of the product or we or our potential partners may voluntarily recall a product;

regulatory authorities may require the addition of warnings or contraindications in the product labeling, narrowing of the indication in the product label or field alerts to physicians and pharmacies;

we may be required to create a medication guide outlining the risks of such side effects for distribution to patients or institute a REMS;

we may have limitations on how we promote the product;

we may be required to change the way the product is administered or modify the product in some other way;

the FDA or applicable foreign regulatory authority may require additional clinical trials or costly post-marketing testing and surveillance to monitor the safety or efficacy of the product;

sales of the product may decrease significantly;

we could be sued and held liable for harm caused to patients; and

our brand and reputation may suffer.

Any of the above events resulting from undesirable side effects or other previously unknown problems could prevent us or our potential partners from achieving or maintaining market acceptance of the affected product candidate and could substantially increase the costs of commercializing our product candidates.

We may face product liability exposure, and if successful claims are brought against us, we may incur substantial liability if our insurance coverage for those claims is inadequate.

We face an inherent risk of product liability as a result of the clinical testing of our product candidates and will face an even greater risk if we commercialize any products. This risk exists even if a product is approved for commercial sale by the FDA and manufactured in facilities licensed and regulated by the FDA or an applicable foreign regulatory authority. Our products and product candidates are designed to affect important bodily functions and processes. Any side effects, manufacturing defects, misuse or abuse associated with our product candidates could result in injury to a patient or even death. We cannot offer any assurance that we will not face product liability suits in the future, nor can we assure you that our insurance coverage will be sufficient to cover our liability under any such cases.

In addition, a liability claim may be brought against us even if our product candidates merely appear to have caused an injury. Product liability claims may be brought against us by consumers, health care providers, pharmaceutical companies or others selling or otherwise coming into contact with our product candidates, among others. If we cannot successfully defend ourselves against product liability claims we will incur substantial liabilities and reputational harm. In addition, regardless of merit or eventual outcome, product liability claims may result in:

withdrawal of clinical trial participants;

decreased enrollment rates of clinical trial participants;

termination of clinical trial sites or entire trial programs;

the inability to commercialize our product candidates;

decreased demand for our product candidates;

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impairment of our business reputation;

product recall or withdrawal from the market or labeling, marketing or promotional restrictions;

substantial costs of any related litigation or similar disputes;

distraction of management's attention and other resources from our primary business;

substantial monetary awards to patients or other claimants against us that may not be covered by insurance; or

loss of revenue.

We have obtained product liability insurance coverage for clinical trials. Large judgments have been awarded in class action or individual lawsuits based on drugs that had unanticipated side effects. Our insurance coverage may not be sufficient to cover all of our product liability related expenses or losses and may not cover us for any expenses or losses we may suffer. Moreover, insurance coverage is becoming increasingly expensive, and, in the future, we may not be able to maintain insurance coverage at a reasonable cost, in sufficient amounts or upon adequate terms to protect us against losses due to product liability. We will need to increase our product liability coverage if any of our product candidates receive regulatory approval, which will be costly, and we may be unable to obtain this increased product liability insurance on commercially reasonable terms, or at all. A successful product liability claim or series of claims brought against us could cause our stock price to decline and, if judgments exceed our insurance coverage, could decrease our cash and could harm our business, financial condition, operating results and prospects.

If any of our product candidates are approved for marketing and we are found to have improperly promoted off-label uses, or if physicians misuse our products or use our products off-label, we may become subject to prohibitions on the sale or marketing of our products, product liability claims and significant fines, penalties and sanctions, and our brand and reputation could be harmed.

The FDA and other regulatory agencies strictly regulate the marketing and promotional claims that are made about drug and biologic products. In particular, a product may not be promoted for uses or indications that are not approved by the FDA or such other regulatory agencies as reflected in the product's approved labeling and comparative safety or efficacy claims cannot be made without direct comparative clinical data. For example, if Cimzia is approved for use in the United States for the treatment of moderate-to-severe plaque psoriasis, due to the design of our Phase 3 clinical trial comparing Cimzia to Enbrel, the prescribing information may not include data comparing the clinical performance of Cimzia and Enbrel and we may not be able to utilize directly comparative head-to-head data on the clinical performance of Cimzia to Enbrel in our marketing materials. Similarly, although our DRM04 product candidate, if approved, may appeal to individuals who have not been diagnosed with hyperhidrosis, we will only be able to promote DRM04 for its approved indication. If we are found to have promoted off-label uses of any of our product candidates, we may receive warning or untitled letters and become subject to significant liability, which would materially harm our business. Both federal and state governments have levied large civil and criminal fines against companies for alleged improper promotion and have enjoined several companies from engaging in off-label promotion. If we become the target of such an investigation or prosecution based on our marketing and promotional practices, we could face similar sanctions, which would materially harm our business. In addition, management's attention could be diverted from our business operations, significant legal expenses could be incurred and our brand and reputation could be damaged. The FDA has also requested that companies enter into consent decrees or permanent injunctions under which specified promotional conduct is changed or curtailed. If we are deemed by the FDA to have engaged in the promotion of our products for off-label use, we could be subject to FDA regulatory or enforcement actions, including the issuance of an untitled letter, a warning letter, injunction, seizure, civil fine or

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criminal penalties. It is also possible that other federal, state or foreign enforcement authorities might take action if they consider our business activities constitute promotion of an off-label use, which could result in significant penalties, including criminal, civil or administrative penalties, damages, fines, disgorgement, exclusion from participation in government healthcare programs and the curtailment or restructuring of our operations.

We cannot, however, prevent a physician from using our product candidates outside of those indications for use when in the physician's independent professional medical judgment he or she deems appropriate. Physicians may also misuse our product candidates or use improper techniques, potentially leading to adverse results, side effects or injury, which may lead to product liability claims. If our product candidates are misused or used with improper technique, we may become subject to costly litigation by physicians or their patients. Furthermore, the use of our product candidates for indications other than those approved by the FDA may not effectively treat such conditions, which could harm our reputation among physicians and patients.

We may choose not to continue developing or commercializing any of our product candidates other than Cimzia at any time during development or after approval, which would reduce or eliminate our potential return on investment for those product candidates.

At any time, we may decide to discontinue the development of any of our product candidates other than Cimzia or not to continue commercializing one or more of our approved product candidates other than Cimzia for a variety of reasons, including the appearance of new technologies that make our product obsolete, competition from a competing product or changes in or failure to comply with applicable regulatory requirements. If we terminate a program in which we have invested significant resources, we will not receive any return on our investment and we will have missed the opportunity to have allocated those resources to potentially more productive uses. We are, however, required to develop and commercialize Cimzia in accordance with our obligations to UCB regardless of our potential return on our investment with respect to Cimzia.

We or our current and prospective partners may be subject to product recalls in the future that could harm our brand and reputation and could negatively affect our business.

We or our current and prospective partners may be subject to product recalls, withdrawals or seizures if any of our product candidates, if approved for marketing, fail to meet specifications or are believed to cause injury or illness or if we are alleged to have violated governmental regulations including those related to the manufacture, labeling, promotion, sale or distribution. Any recall, withdrawal or seizure in the future could materially and adversely affect consumer confidence in our brands and lead to decreased demand for our approved products. In addition, a recall, withdrawal or seizure of any of our approved products would require significant management attention, would likely result in substantial and unexpected expenditures and would harm our business, financial condition and operating results.

If the FDA does not conclude that certain of our product candidates satisfy the requirements under Section 505(b)(2) of the Federal Food, Drug, and Cosmetic Act, or Section 505(b)(2), or if the requirements for such product candidates under Section 505(b)(2) are not as we expect, the approval pathway for those product candidates will likely take significantly longer, cost significantly more and entail significantly greater complications and risks than anticipated, and in either case may not be successful.

We are currently developing one product candidate, DRM04, for which we intend to seek FDA approval through the Section 505(b)(2) regulatory pathway. DRM04 is a topical formulation of a novel form of an anticholinergic agent that has been approved for systemic administration in other indications. The Drug Price Competition and Patent Term Restoration Act of 1984, also known as the Hatch-Waxman Amendments, added Section 505(b)(2) to the Federal Food, Drug, and Cosmetic Act.

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Section 505(b)(2) permits the submission of an NDA where at least some of the information required for approval comes from studies that were not conducted by or for the applicant, and for which the applicant has not received a right of reference. Reliance on safety findings made by the FDA in approving the anticholinergic agent we intend to reference in our NDA could expedite the development program for our product candidates by potentially decreasing the amount of preclinical or clinical data that we would need to generate in order to obtain FDA approval. DRM04 differs from the approved product we intend to reference in chemical structure, route of administration, dosage form and indication and, if we are unable to demonstrate an acceptable clinical bridge through comparative pharmacokinetic data between DRM04 and the approved product, the FDA may not permit us to use the Section 502(b)(2) pathway for regulatory approval. If the FDA does not allow us to pursue the Section 505(b)(2) regulatory pathway as anticipated, or if the Section 505(b)(2) regulatory pathway fails to significantly decrease the amount of testing we must conduct, we may need to conduct additional preclinical or clinical trials, provide additional data and information and meet additional standards for regulatory approval. If this were to occur, the time and financial resources required to obtain FDA approval for DRM04, or any other product candidate for which we seek approval pursuant to the Section 505(b)(2) regulatory pathway in the future, and complications and risks associated with these product candidates, would likely substantially increase. Moreover, inability to pursue the Section 505(b)(2) regulatory pathway could result in new competitive products reaching the market more quickly than our product candidates, which would likely harm our competitive position and prospects. Even if we are allowed to pursue the Section 505(b)(2) regulatory pathway, we cannot assure you that our product candidates will receive the requisite approvals for commercialization.

In addition, notwithstanding the approval of a number of products by the FDA under Section 505(b)(2) over the last few years, certain competitors and others have objected to the FDA's interpretation of Section 505(b)(2). If the FDA's interpretation of Section 505(b)(2) is successfully challenged, the FDA may be required to change its Section 505(b)(2) policies and practices, which could delay or even prevent the FDA from approving any NDA that we submit under Section 505(b)(2). In addition, the pharmaceutical industry is highly competitive, and Section 505(b)(2) NDAs are subject to special requirements designed to protect the patent rights of sponsors of previously approved drugs that are referenced in a Section 505(b)(2) NDA. These requirements may give rise to patent litigation and mandatory delays in approval of our NDAs for up to 30 months depending on the outcome of any litigation. It is not uncommon for a manufacturer of an approved referenced product to file a citizen petition with the FDA seeking to delay approval of, or impose additional approval requirements for, pending competing products. If successful, such petitions can significantly delay, or even prevent, the approval of the new product. However, even if the FDA ultimately denies such a petition, the FDA may substantially delay approval while it considers and responds to the petition. In addition, even if we are able to utilize the Section 505(b)(2) regulatory pathway, there is no guarantee this would ultimately lead to faster product development or earlier approval.

If we or any partners with which we may collaborate are unable to achieve and maintain coverage and adequate levels of reimbursement for any of our product candidates for which we receive regulatory approval, or any future products we may seek to commercialize, their commercial success may be severely hindered.

For any of our product candidates that become available only by prescription, successful sales by us or by any partners with which we may collaborate depend on the availability of coverage and adequate reimbursement from third-party payors. Patients who are prescribed medicine for the treatment of their conditions generally rely on third-party payors to reimburse all or part of the costs associated with their prescription drugs. The availability of coverage and adequate reimbursement from governmental healthcare programs, such as Medicare and Medicaid, and private third-party payors is critical to new product acceptance. Coverage decisions may depend upon clinical and economic standards that disfavor new drug products when more established or lower cost therapeutic alternatives are already available or

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subsequently become available. If any of our product candidates do not demonstrate attractive efficacy profiles, they may not qualify for coverage and reimbursement. In addition, certain currently approved therapies for the treatment of hyperhidrosis have received limited or no reimbursement coverage by insurers and, accordingly, coverage for DRM04, if approved, may not be available. Even if we obtain coverage for a given product, the resulting reimbursement payment rates might not be adequate or may require co-payments that patients find unacceptably high. Patients may be unlikely to use our products unless coverage is provided and reimbursement is adequate to cover a significant portion of the cost of our products.

In addition, the market for our product candidates will depend significantly on access to third-party payors' drug formularies, or lists of medications for which third-party payors provide coverage and reimbursement. The industry competition to be included in such formularies often leads to downward pricing pressures on pharmaceutical companies. Also, third-party payors may refuse to include a particular branded drug in their formularies or otherwise restrict patient access to a branded drug when a less costly generic equivalent or other alternative is available.

Third-party payors, whether foreign or domestic, or governmental or commercial, are developing increasingly sophisticated methods of controlling healthcare costs. In addition, in the United States, although private third-party payors tend to follow Medicare, no uniform policy of coverage and reimbursement for drug products exists among third-party payors. Therefore, coverage and reimbursement for drug products can differ significantly from payor to payor. As a result, the coverage determination process is often a time-consuming and costly process that will require us to provide scientific and clinical support for the use of our product candidates to each payor separately, with no assurance that coverage and adequate reimbursement will be obtained.

Further, we believe that future coverage and reimbursement will likely be subject to increased restrictions both in the United States and in international markets. Third-party coverage and reimbursement for any of our product candidates for which we may receive regulatory approval may not be available or adequate in either the United States or international markets, which could harm our business, financial condition, operating results and prospects.

Healthcare reform measures could hinder or prevent the commercial success of our products and product candidates.

In the United States, there have been, and we expect there will continue to be, a number of legislative and regulatory changes to the healthcare system that could affect our future revenue and profitability and the future revenue and profitability of any partner with which we may collaborate. Federal and state lawmakers regularly propose and, at times, enact legislation that results in significant changes to the healthcare system, some of which are intended to contain or reduce the costs of medical products and services. For example, in March 2010, President Obama signed one of the most significant healthcare reform measures in decades, the Patient Protection and Affordable Care Act, as amended by the Health Care and Education Reconciliation Act, or collectively, the Affordable Care Act. It contains a number of provisions, including those governing enrollment in federal healthcare programs, reimbursement changes and fraud and abuse measures, all of which are expected to impact existing government healthcare programs and result in the development of new programs. The Affordable Care Act, among other things, (1) increased the minimum Medicaid rebates owed by most manufacturers under the Medicaid Drug Rebate Program and extended the rebate program to certain individuals enrolled in Medicaid managed care organizations, (2) established annual fees on manufacturers of certain branded prescription drugs and (3) enacted a new Medicare Part D coverage gap discount program, in which manufacturers must agree to offer 50% point-of-sale discounts off negotiated prices of applicable brand drugs to eligible beneficiaries during their coverage gap period, as a condition for the manufacturer's outpatient drugs to be covered under Medicare Part D.

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In addition, other legislative changes have been proposed and adopted in the United States since the Affordable Care Act was enacted. On August 2, 2011, the Budget Control Act of 2011, among other things, created measures for spending reductions by Congress. A Joint Select Committee on Deficit Reduction, tasked with recommending a targeted deficit reduction of at least $1.2 trillion for the years 2013 through 2021, was unable to reach required goals, thereby triggering the legislation's automatic reduction to several government programs. This includes aggregate reductions of Medicare payments to providers up to 2% per fiscal year, which went into effect on April 1, 2013 and will stay in effect through 2024 unless additional Congressional action is taken. On January 2, 2013, President Obama signed into law the American Taxpayer Relief Act of 2012, which, among other things, further reduced Medicare payments to several providers, including hospitals and imaging centers.

We expect that additional state and federal healthcare reform measures will be adopted in the future, any of which could limit the amounts that federal and state governments will pay for healthcare products and services, which could result in reduced demand for our products once approved or additional pricing pressures.

We may also be subject to healthcare laws, regulation and enforcement and our failure to comply with those laws could adversely affect our business, operations and financial condition.

Certain federal and state healthcare laws and regulations pertaining to fraud and abuse and patients' rights, among other topics, are and will be applicable to our business. We are subject to regulation by both the federal government and the states in which we or our partners conduct our business. The healthcare laws and regulations that may affect our ability to operate include:

the federal Anti-Kickback Statute, which prohibits, among other things, any person or entity from knowingly and willfully offering, soliciting, receiving or providing any remuneration (including any kickback, bribe or rebate), directly or indirectly, overtly or covertly, in cash or in kind, to induce either the referral of an individual or in return for the purchase, lease, or order of any good, facility item or service, for which payment may be made, in whole or in part, under federal healthcare programs such as the Medicare and Medicaid programs;

federal civil and criminal false claims laws and civil monetary penalty laws, including, for example, the federal civil False Claims Act, which impose criminal and civil penalties, including civil whistleblower or qui tam actions, against individuals or entities for, among other things, knowingly presenting, or causing to be presented, to the federal government, including the Medicare and Medicaid programs, claims for payment that are false or fraudulent or making a false statement to avoid, decrease or conceal an obligation to pay money to the federal government;

the federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, which created additional federal criminal statutes that prohibit knowingly and willfully executing, or attempting to execute, a scheme to defraud any healthcare benefit program or obtain, by means of false or fraudulent pretenses, representations or promises, any of the money or property owned by, or under the custody or control of, any healthcare benefit program, regardless of the payor (e.g., public or private), knowingly and willfully embezzling or stealing from a health care benefit program, willfully obstructing a criminal investigation of a health care offense and knowingly and willfully falsifying, concealing or covering up by any trick or device a material fact or making any materially false statements in connection with the delivery of, or payment for, healthcare benefits, items or services relating to healthcare matters;

HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act, and their implementing regulations, which impose obligations on covered entities, including certain healthcare providers, health plans, and healthcare clearinghouses, as well as their respective business associates that create, receive, maintain or transmit individually identifiable health information for or on behalf of a covered entity, with respect to safeguarding the privacy, security and transmission of individually identifiable health information;

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the federal physician sunshine requirements under the Affordable Care Act, which require certain manufacturers of drugs, devices, biologics and medical supplies for which payment is available under Medicare, Medicaid, or the Children's Health Insurance Program, with specific exceptions, to report annually to the Centers for Medicare & Medicaid Services information related to payments and other transfers of value provided to physicians and teaching hospitals, and ownership and investment interests held by physicians and their immediate family members; and

state law equivalents of each of the above federal laws, such as anti-kickback and false claims laws, which may apply to items or services reimbursed by any third-party payor, including commercial insurers; state laws that require pharmaceutical companies to comply with the pharmaceutical industry's voluntary compliance guidelines and the applicable compliance guidance promulgated by the federal government, or otherwise restrict payments that may be provided to healthcare providers and other potential referral sources; state laws that require drug manufacturers to report information related to payments and other transfers of value to healthcare providers or marketing expenditures; and state laws governing the privacy and security of health information in certain circumstances, many of which differ from each other in significant ways and may not have the same effect, thus complicating compliance efforts.

Because of the breadth of these laws and the narrowness of the statutory exceptions and safe harbors available, it is possible that some of our business activities could be subject to challenge under one or more of such laws. In addition, recent health care reform legislation has strengthened these laws. For example, the recently enacted Affordable Care Act, among other things, amended the intent requirement of the federal Anti-Kickback Statute and certain criminal healthcare fraud statutes. A person or entity no longer needs to have actual knowledge of the statute or specific intent to violate it in order to have committed a violation. In addition, the Affordable Care Act codified case law that a claim including items or services resulting from a violation of the federal Anti-Kickback Statute constitutes a false or fraudulent claim for purposes of the federal civil False Claims Act.

Achieving and sustaining compliance with these laws may prove costly. In addition, any action against us for violation of these laws, even if we successfully defend against it, could cause us to incur significant legal expenses and divert our management's attention from the operation of our business. If our operations are found to be in violation of any of the laws described above or any other governmental laws or regulations that apply to us, we may be subject to penalties, including administrative, civil and criminal penalties, damages, fines, disgorgement, the exclusion from participation in federal and state healthcare programs, individual imprisonment or the curtailment or restructuring of our operations, any of which could adversely affect our ability to operate our business and our financial results.

Our business involves the use of hazardous materials and we and our third-party suppliers and manufacturers must comply with environmental laws and regulations, which can be expensive and restrict how we do business.

The manufacturing activities of our third-party suppliers and manufacturers involve the controlled storage, use and disposal of hazardous materials owned by us, including the components of our product candidates and other hazardous compounds. We and our manufacturers and suppliers are subject to laws and regulations governing the use, manufacture, storage, handling and disposal of these hazardous materials. In some cases, these hazardous materials and various wastes resulting from their use are stored at our suppliers' or manufacturers' facilities pending use and disposal. We and our suppliers and manufacturers cannot completely eliminate the risk of contamination, which could cause an interruption of our commercialization efforts, research and development efforts and business operations, injury to our service providers and others and environmental damage resulting in costly clean-up and liabilities under applicable laws and regulations governing the use, storage, handling and disposal of these

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materials and specified waste products. Although we believe that the safety procedures utilized by our third-party suppliers and manufacturers for handling and disposing of these materials generally comply with the standards prescribed by these laws and regulations, we cannot guarantee that this is the case or eliminate the risk of accidental contamination or injury from these materials. In such an event, we may be held liable for any resulting damages and such liability could exceed our resources. We do not currently carry biological or hazardous waste insurance coverage.

Our employees, independent contractors, principal investigators, consultants, vendors, CROs and any partners with which we may collaborate may engage in misconduct or other improper activities, including noncompliance with regulatory standards and requirements.

We are exposed to the risk that our employees, independent contractors, principal investigators, consultants, vendors, CROs and any partners with which we may collaborate may engage in fraudulent or other illegal activity. Misconduct by these persons could include intentional, reckless or negligent conduct or unauthorized activity that violates: laws or regulations, including those laws requiring the reporting of true, complete and accurate information to the FDA or foreign regulatory authorities; manufacturing standards; federal, state and foreign healthcare fraud and abuse laws and data privacy; or laws that require the true, complete and accurate reporting of financial information or data. In particular, sales, marketing and other business arrangements in the healthcare industry are subject to extensive laws intended to prevent fraud, kickbacks, self-dealing and other abusive practices. These laws may restrict or prohibit a wide range of business activities, including research, manufacturing, distribution, pricing, discounting, marketing and promotion, sales commission, customer incentive programs and other business arrangements. Activities subject to these laws also involve the improper use of information obtained in the course of clinical trials, or illegal misappropriation of drug product, which could result in regulatory sanctions or other actions or lawsuits stemming from a failure to be in compliance with such laws or regulations, and serious harm to our reputation. In addition, federal procurement laws impose substantial penalties for misconduct in connection with government contracts and require certain contractors to maintain a code of business ethics and conduct. If any such actions are instituted against us, and we are not successful in defending ourselves or asserting our rights, those actions could have a significant impact on our business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, possible exclusion from participation in Medicare, Medicaid and other federal healthcare programs, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of our operations, any of which could adversely affect our ability to operate our business and our operating results.

Risks Related to Our Collaboration with UCB

The UCB agreement is terminable by UCB if we consummate a change of control with a significant number of competitor companies, which may adversely impact the likelihood that we will be acquired.

If we consummate a change of control with a third party that is clinically developing or commercializing a biologic TNF inhibitor, UCB has the right to terminate the UCB agreement. If such termination occurs prior to the grant of regulatory approval for Cimzia for the treatment of psoriasis, we would be obligated to pay the remaining costs for which we would be responsible under the agreed development plan reduced by the amount of development milestone payments that would have been payable upon achievement of applicable development milestones if and when such milestones are achieved. This could make an acquisition of us by any such company economically unattractive, potentially prohibitively so. Among the companies that we are aware are currently clinically developing or commercializing biologic TNF inhibitors are AbbVie, Allergan, Amgen, Baxter International Inc., Boehringer Ingelheim, Biogen Idec Inc., Eisai, GSK, Hospira, Inc., Johnson & Johnson, Merck, Mitsubishi Tanabe Pharma Corporation, Mylan, Novartis AG, Pfizer, Ranbaxy Laboratories Limited, Sandoz Inc., Stiefel Laboratories, Inc., a GSK Company, Takeda and Teva. Additional companies may

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develop or commercialize a biologic TNF inhibitor in the future. The resulting unlikelihood of an acquisition of us by these companies may reduce our future strategic options and the likelihood of our stockholders participating in a company sale transaction that could be financially attractive to them.

In addition, UCB has the right to terminate the UCB agreement with the same economic consequences if we consummate a change of control with a company that is not clinically developing or commercializing a biologic TNF inhibitor but that otherwise does not meet all of the following requirements:

- the company either (1) is engaged in the development or commercialization of a pharmaceutical product or (2) will maintain us as an operating entity and will maintain at least 50% of our executive management team for at least 12 months;

- the company has sufficient working capital to continue and complete our development obligations under the UCB agreement (taking into consideration any milestone payments to be made by UCB) and has the ability to obtain sufficient funding to perform the commercial and medical affairs activities and other obligations for which we are responsible under the UCB agreement; and

- if the change of control occurs prior to the date of the grant of first regulatory approval for Cimzia for the treatment of psoriasis in the United States, Canada or the European Union, the company agrees in writing to complete such development obligations.

It is therefore possible that other potential acquirors, even though not developing or commercializing a biologic TNF inhibitor, would not meet one or more of these criteria, making an acquisition of us by such a company unlikely, further reducing the ability of our stockholders to participate in a transaction that could be financially attractive to them.

We could have significant disputes with UCB over our collaboration, which could adversely impact our ability to obtain any of its intended benefits.

We cannot ensure that UCB will fulfill its obligations under the UCB agreement. We may assert that UCB has not fulfilled its obligations, which UCB may dispute. UCB may assert that we have not fulfilled our obligations under the UCB agreement, which we may dispute. If UCB asserts that we have materially breached the UCB agreement and seeks to terminate the UCB agreement, our ability to realize the anticipated or any benefits from this collaboration would be adversely affected. Any disputes we have with UCB could lead to delays in, or termination of, the development and commercialization of Cimzia for the treatment of psoriasis and time-consuming and expensive arbitration. In any such dispute, UCB will have considerably more resources than we will to pursue such dispute, which may make it less likely that we will prevail in any such dispute, regardless of the relative merit of our position.

We are dependent on UCB for product supply.

Under the UCB agreement, UCB is solely responsible for supplying sufficient quantities of Cimzia as well as the comparator drugs and placebo to be used in our Phase 3 clinical trials and any post-approval studies that are conducted. We are not permitted to obtain these materials from any other source. If we experience any interruption in product supply, potentially due to UCB's own dependencies on its suppliers, or due to damage to or destruction of its or its suppliers' facilities or equipment or noncompliance with regulatory requirements, or if we incorrectly forecast our product supply requirements or UCB incorrectly plans its manufacturing production, or if UCB were to allocate supplies of Cimzia to its commercial sales rather than to our development program, it could impact our ability to timely supply our clinical sites, and cause potentially serious delays in the timing of our clinical studies and substantially increased costs if studies need to be adjusted or re-performed.

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UCB is also solely responsible for and controls all aspects of the manufacture, distribution and supply of Cimzia for commercialization, including providing any product samples that we may use in our marketing and promotion activities as well as the product that will be sold from which we would derive royalties and any sales-based milestone payments. If UCB experiences any interruption in product supply for any of the reasons described in the prior paragraph, or if UCB were to allocate its supplies of Cimzia to commercial sales attributable to physicians other than dermatologists, it could adversely impact the sales from which we derive such royalties and payments, and our financial results.

We have agreed with UCB to a scope of exclusivity that will prevent us from developing and commercializing a material category of products, which could harm our current and future business prospects, including the likelihood that we will be acquired.

We have agreed that, during the term of the UCB agreement, except in limited circumstances, we and our affiliates will not clinically develop, seek regulatory approval for or commercialize a biologic TNF inhibitor other than Cimzia, or promote any other biologic TNF inhibitor to any dermatologist in the United States or Canada. If, during the term of the UCB agreement, we acquire or are acquired by a third party that is clinically developing or commercializing a biologic TNF inhibitor, in addition to UCB's termination rights described above, we have agreed to either cease such clinical development or commercialization or divest such product candidate. These exclusivity obligations may inhibit our business opportunities by excluding an important class of products, TNF inhibitors, from potential development or commercialization by us. In addition, any acquiror of us would also be subject to these exclusivity obligations, which will potentially exclude companies that are or would consider developing or commercializing TNF inhibitors from acquiring us, which may reduce the likelihood of our being acquired in a transaction that could be beneficial to our stockholders.

UCB may determine that further development of Cimzia for the treatment of psoriasis poses a significant safety risk and terminate the UCB agreement, which would adversely affect our business.

The UCB agreement is terminable by UCB if it determines that a validated safety signal is established, the magnitude of which UCB determines constitutes a significant patient risk so that the development or commercialization of Cimzia should cease. In such event, while UCB would be obligated to reimburse us for certain costs we have incurred by paying to us royalties on sales of Cimzia in the United States and Canada, such reimbursement will likely take years, and if sales of Cimzia cease in all indications, we will likely never recoup such costs. In any event, if the UCB agreement were to be terminated for safety reasons, we would not be able to develop a dermatology-focused sales force using Cimzia as our initial commercial product or realize any royalties or sales-based milestones, and therefore our principal strategic and financial objectives in pursuing this collaboration would not be achieved.

UCB has made very limited disclosures, representations, warranties and indemnities to us regarding its ownership of and the validity of the intellectual property related to Cimzia, and that its and our activities in our collaboration will not infringe the intellectual property rights of third parties.

In the UCB agreement, UCB has made very limited disclosures, representations, warranties and indemnities to us that the development of Cimzia for the treatment of psoriasis and the sale and promotion of Cimzia for the treatment of psoriasis and psoriatic arthritis will not infringe a patent or other intellectual property right of a third party, or that UCB's intellectual property related to Cimzia is valid. If third parties bring claims that the intellectual property relevant to the collaboration and Cimzia infringes the intellectual property rights of such third party, we or UCB could be enjoined from performing our activities under the UCB agreement, exposed to substantial damages or required to pay royalties to such third party, or any combination of these adverse effects. Any third-party royalties that would need to be paid in connection with the activities under our collaboration would be included in

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our cost of goods and therefore could reduce the financial benefits that we receive from sales of Cimzia. In addition, if a claim is made against us in connection with our collaboration, UCB may control the defense of such claim, and may make different decisions than we would make, potentially exposing us to increased liability.

Risks Related to Our Dependence on Third Parties other than UCB

We have in the past relied and expect to continue to rely on third-party CROs and other third parties to conduct and oversee our clinical trials and other aspects of product development. If these third parties do not meet our requirements or otherwise conduct the trials as required, we may not be able to satisfy our contractual obligations or obtain regulatory approval for, or commercialize, our product candidates when expected or at all.

We have in the past relied and expect to continue to rely on third-party CROs to conduct and oversee our clinical trials and other aspects of product development. We also rely upon various medical institutions, clinical investigators and contract laboratories to conduct our trials in accordance with our clinical protocols and all applicable regulatory requirements, including the FDA's regulations and GCPs, which are an international standard meant to protect the rights and health of patients and to define the roles of clinical trial sponsors, administrators and monitors, and state regulations governing the handling, storage, security and recordkeeping for drug and biologic products. These CROs and other third parties play a significant role in the conduct of these trials and the subsequent collection and analysis of data from the clinical trials. We rely heavily on these parties for the execution of our clinical trials and preclinical studies, and control only certain aspects of their activities. We and our CROs and other third-party contractors are required to comply with GCP and GLP requirements, which are regulations and guidelines enforced by the FDA and comparable foreign regulatory authorities for products in clinical development. Regulatory authorities enforce these GCP and GLP requirements through periodic inspections of trial sponsors, principal investigators and trial sites. If we or any of these third parties fail to comply with applicable GCP and GLP requirements, the clinical data generated in our clinical trials may be deemed unreliable and the FDA or other regulatory authority may require us to perform additional clinical trials before approving our or our partners' marketing applications. We cannot assure you that upon inspection by a given regulatory authority, such regulatory authority will determine that any of our clinical or preclinical trials complies with applicable GCP and GLP requirements. In addition, our clinical trials must generally be conducted with product produced under cGMP regulations. Our failure to comply with these regulations and policies may require us to repeat clinical trials, which would delay the regulatory approval process.

If any of our CROs or clinical trial sites terminate their involvement in one of our clinical trials for any reason, we may not be able to enter into arrangements with alternative CROs or clinical trial sites in a timely manner, or do so on commercially reasonable terms or at all. In addition, if our relationship with clinical trial sites is terminated, we may experience the loss of follow-up information on patients enrolled in our ongoing clinical trials unless we are able to transfer the care of those patients to another qualified clinical trial site. In addition, principal investigators for our clinical trials may serve as scientific advisors or consultants to us from time to time and could receive cash or equity compensation in connection with such services. If these relationships and any related compensation result in perceived or actual conflicts of interest, the integrity of the data generated at the applicable clinical trial site may be questioned by the FDA.

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We rely completely on third-party contractors to supply, manufacture and distribute clinical drug supplies for our product candidates, including certain sole-source suppliers and manufacturers, we intend to rely on third parties for commercial supply, manufacturing and distribution if any of our product candidates receive regulatory approval and we expect to rely on third parties for supply, manufacturing and distribution of preclinical, clinical and commercial supplies of any future product candidates.

We do not currently have, nor do we plan to acquire, the infrastructure or capability to supply, manufacture or distribute preclinical, clinical or commercial quantities of drug substances or products.

Our ability to develop our product candidates depends and our ability to commercially supply our products will depend, in part, on our ability to successfully obtain the APIs and other substances and materials used in our product candidates from third parties and to have finished products manufactured by third parties in accordance with regulatory requirements and in sufficient quantities for preclinical and clinical testing and commercialization. If we fail to develop and maintain supply relationships with these third parties, we may be unable to continue to develop or commercialize our product candidates.

We do not have direct control over the ability of our contract suppliers and manufacturers to maintain adequate capacity and capabilities to serve our needs, including quality control, quality assurance and qualified personnel. Although we are ultimately responsible for ensuring compliance with regulatory requirements such as cGMPs, we are dependent on our contract suppliers and manufacturers for day-to-day compliance with cGMPs for production of both APIs and finished products. Facilities used by our contract suppliers and manufacturers to produce the APIs and other substances and materials or finished products for commercial sale must pass inspection and be approved by the FDA and other relevant regulatory authorities. Our contract suppliers and manufacturers must comply with cGMP requirements enforced by the FDA through its facilities inspection program and review of submitted technical information. If the safety of any product or product candidate or component is compromised due to a failure to adhere to applicable laws or for other reasons, we may not be able to successfully commercialize or obtain regulatory approval for the affected product or product candidate, and we may be held liable for injuries sustained as a result. Any of these factors could cause a delay or termination of preclinical studies, clinical trials or regulatory submissions or approvals of our product candidates, and could entail higher costs or result in our being unable to effectively commercialize our approved products on a timely basis, or at all.

We also rely and will continue to rely on certain third parties as the sole source of the materials they supply or the finished products they manufacture. UCB is solely responsible for and controls all aspects of the manufacture, distribution and supply of Cimzia. For more information about risks related to the manufacture of Cimzia, see " Risks Related to Our Collaboration with UCB." Some of the APIs and other substances and materials used in our product candidates are currently available only from one or a limited number of domestic or foreign suppliers and foreign manufacturers and certain of our finished product candidates are manufactured by one or a limited number of contract manufacturers. In the event an existing supplier fails to supply product on a timely basis or in the requested amount, supplies product that fails to meet regulatory requirements, becomes unavailable through business interruption or financial insolvency or loses its regulatory status as an approved source or if we or our manufacturers are unable to renew current supply agreements when such agreements expire and we do not have a second supplier, we likely would incur added costs and delays in identifying or qualifying replacement manufacturers and materials and there can be no assurance that replacements would be available to us on a timely basis, on acceptable terms or at all. In certain cases we may be required to get regulatory approval to use alternative suppliers, and this process of approval could delay production of our products or development of product candidates indefinitely. In particular, we are dependent on our current suppliers of the nonwoven material and foil in our DRM04 finished product, and any need to find and qualify new suppliers for these materials would adversely affect our business. We and our manufacturers do not currently maintain inventory of these APIs and other substances and materials. Any interruption in the supply of an API or other substance or material or in

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the manufacture of a finished product could have a material adverse effect on our business, financial condition, operating results and prospects.

In addition, these contract manufacturers are engaged with other companies to supply and manufacture materials or products for such companies, which also exposes our suppliers and manufacturers to regulatory risks for the production of such materials and products. As a result, failure to meet the regulatory requirements for the production of those materials and products may also affect the regulatory clearance of a contract supplier's or manufacturer's facility. If the FDA or a comparable foreign regulatory agency does not approve these facilities for the supply or manufacture of our product candidates, or if it withdraws its approval in the future, we may need to find alternative supply or manufacturing facilities, which would negatively impact our ability to develop, obtain regulatory approval of or market our product candidates, if approved.

To date, our drug substances and product candidates have been manufactured in small quantities for preclinical studies and early-stage clinical trials. As we prepare for later-stage clinical trials and potential commercialization, we will need to take steps to increase the scale of production of our drug substances and product candidates, which may include transferring production to new third-party suppliers or manufacturers. In order to conduct larger or late-stage scale clinical trials for our product candidates and supply sufficient commercial quantities of the resulting drug product and its components, if that product candidate is approved for sale, our contract manufacturers and suppliers will need to produce our drug substances and product candidates in larger quantities, more cost effectively and, in certain cases, at higher yields than they currently achieve. These third-party contractors may not be able to successfully increase the manufacturing capacity for any of such drug substance and product candidates in a timely or cost-effective manner or at all. Significant scale up of manufacturing may require additional processes, technologies and validation studies, which are costly, may not be successful and which the FDA and foreign regulatory authorities must review and approve. In addition, quality issues may arise during those scale-up activities because of the inherent properties of a product candidate itself or of a product candidate in combination with other components added during the manufacturing and packaging process, or during shipping and storage of the APIs or the finished product. If our third-party contractors are unable to successfully scale up the manufacture of any of our product candidates in sufficient quality and quantity and at commercially reasonable prices, and we are unable to find one or more replacement suppliers or manufacturers capable of production at a substantially equivalent cost in substantially equivalent volumes and quality, and we are unable to successfully transfer the processes on a timely basis, the development of that product candidate and regulatory approval or commercial launch for any resulting products may be delayed, or there may be a shortage in supply, either of which could significantly harm our business, financial condition, operating results and prospects.

We expect to continue to depend on third-party contract suppliers and manufacturers for the foreseeable future. Our supply and manufacturing agreements, if any, do not guarantee that a contract supplier or manufacturer will provide services adequate for our needs. We and our contract suppliers and manufacturers continue to improve production processes, certain aspects of which are complex and unique, and we may encounter difficulties with new or existing processes. While we attempt to build in certain contractual obligations on such third-party suppliers and manufacturers, we may not be able to ensure that such third parties comply with these obligations. Depending on the extent of any difficulties encountered, we could experience an interruption in clinical or commercial supply, with the result that the development, regulatory approval or commercialization of our product candidates may be delayed or interrupted. In addition, third-party suppliers and manufacturers may have the ability to increase the price payable by us for the supply of the APIs and other substances and materials used in our product candidates, in some cases without our consent.

Additionally, any damage to or destruction of our third-party manufacturers' or suppliers' facilities or equipment may significantly impair our ability to have our product candidates manufactured on a

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timely basis. Furthermore, if a contract manufacturer or supplier becomes financially distressed or insolvent, or discontinues our relationship beyond the term of any existing agreement for any other reason, this could result in substantial management time and expense to identify, qualify and transfer processes to alternative manufacturers or suppliers, and could lead to an interruption in clinical or commercial supply.

Our reliance on contract manufacturers and suppliers further exposes us to the possibility that they, or third parties with access to their facilities, will have access to and may misappropriate our trade secrets or other proprietary information.

In addition, the manufacturing facilities of certain of our suppliers are located outside of the United States. This may give rise to difficulties in importing our products or product candidates or their components into the United States or other countries as a result of, among other things, regulatory agency approval requirements or import inspections, incomplete or inaccurate import documentation or defective packaging.

Manufacturing and supply of the APIs and other substances and materials used in our product candidates and finished drug products is a complex and technically challenging undertaking, and there is potential for failure at many points in the manufacturing, testing, quality assurance and distribution supply chain, as well as the potential for latent defects after products have been manufactured and distributed.

Manufacturing and supply of APIs, other substances and materials and finished drug products is technically challenging. Changes beyond our direct control can impact the quality, volume, price and successful delivery of our product candidates and can impede, delay, limit or prevent the successful development and commercialization of our product candidates. Mistakes and mishandling are not uncommon and can affect successful production and supply. Some of these risks include:

- failure of our manufacturers to follow cGMP requirements or mishandling of product while in production or in preparation for transit;
- inability of our contract suppliers and manufacturers to efficiently and cost-effectively increase and maintain high yields and batch quality, consistency and stability;
- difficulty in establishing optimal production, storage, packaging and shipment methods and processes;
- challenges in designing effective drug delivery substances and techniques;
- transportation and import/export risk, particularly given the global nature of our supply chain;
- delays in analytical results or failure of analytical techniques that we depend on for quality control and release of product;
- natural disasters, labor disputes, financial distress, lack of raw material supply, issues with facilities and equipment or other forms of disruption to business operations of our contract manufacturers and suppliers; and
- latent defects that may become apparent after product has been released and which may result in recall and destruction of product.

Any of these factors could result in delays or higher costs in connection with our clinical trials, regulatory submissions, required approvals or commercialization of our products, which could harm our business, financial condition, operating results and prospects.

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If we are not able to establish and maintain collaborations, we may have to alter our development and commercialization plans.

The development and potential commercialization of our product candidates will require substantial additional cash to fund expenses. In order to fund further development of our product candidates, we may collaborate with pharmaceutical and biotechnology companies for the development and potential commercialization of those product candidates. We face significant competition in seeking appropriate partners. Whether we reach a definitive agreement for a collaboration will depend, among other things, upon our assessment of the partner's resources and experience, the terms and conditions of the proposed collaboration and the proposed partner's evaluation of a number of factors. Those factors may include the design or results of clinical trials; the likelihood of approval by the FDA or other regulatory authorities; the potential market for the subject product candidate; the costs and complexities of manufacturing and delivering such product candidate to patients; the potential of competing products; any uncertainty with respect to our ownership of our intellectual property; and industry and market conditions generally. The partner may also consider alternative product candidates or technologies for similar indications that may be available for collaboration and whether such a collaboration could be more attractive than the one with us for our product candidate. We may also be restricted under future license agreements from entering into agreements on certain terms with potential partners. Collaborations are complex and time-consuming to negotiate and document. In addition, there have been a significant number of recent business combinations among large pharmaceutical companies that have resulted in a reduced number of potential future partners.

Collaborations typically impose detailed obligations on each party, such as those required under the UCB agreement. If we were to breach our obligations, we may face substantial consequences, including potential termination of the collaboration, and our rights to our partners' product candidates, in which we have invested substantial time and money, would be lost.

We may not be successful in our efforts to implement collaborations or other alternative arrangements for the development of our product candidates. When we partner with a third party for development and commercialization of a product candidate, we can expect to relinquish to the third party some or all of the control over the future success of that product candidate. Our collaboration partner may not devote sufficient resources to the commercialization of our product candidates or may otherwise fail in their commercialization. The terms of any collaboration or other arrangement that we establish may not be favorable to us. In addition, any collaboration that we enter into may be unsuccessful in the development and commercialization of our product candidates. In some cases, we may be responsible for continuing preclinical and initial clinical development of a partnered product candidate or research program, and the payment we receive from our collaboration partner may be insufficient to cover the cost of this development.

We may not be able to negotiate collaborations on a timely basis, on acceptable terms or at all. If we are unable to do so, we may have to curtail the development of a product candidate, reduce or delay its development program or one or more of our other development programs, delay its potential commercialization or increase our expenditures and undertake development or commercialization activities at our own expense. If we elect to increase our expenditures to fund development or commercialization activities on our own, we may need to obtain additional capital, which may not be available to us on acceptable terms or at all. If we do not have sufficient funds, we may not be able to further develop our product candidates or bring them to market and generate product revenue.

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Risks Related to Our Business and Financial Operations

We will need to further increase the size and complexity of our organization in the future, and we may experience difficulties in executing our growth strategy and managing any growth.

Our management, personnel, systems and facilities currently in place are not adequate to support our business plan and future growth. We will need to further expand our scientific, medical affairs, sales and marketing, managerial, operational, financial and other resources to support our planned research, development and commercialization activities.

Our need to manage our operations, growth and various projects effectively requires that we:

- continue to improve our operational, financial, management and regulatory compliance controls and reporting systems and procedures;
- attract and retain sufficient numbers of talented employees;
- develop a marketing, sales and distribution capability;
- manage our commercialization activities for our product candidates effectively and in a cost-effective manner;
- establish and maintain relationships with development and commercialization partners;
- manage our preclinical and clinical trials effectively;
- manage our third-party supply and manufacturing operations effectively and in a cost-effective manner, while increasing production capabilities for our current product candidates to commercial levels; and
- manage our development efforts effectively while carrying out our contractual obligations to partners and other third parties.

In addition, historically, we have utilized and continue to utilize the services of part-time outside consultants to perform a number of tasks for us, including tasks related to preclinical and clinical testing. Our growth strategy may also entail expanding our use of consultants to implement these and other tasks going forward. We rely on consultants for certain functions of our business and will need to effectively manage these consultants to ensure that they successfully carry out their contractual obligations and meet expected deadlines. There can be no assurance that we will be able to manage our existing consultants or find other competent outside consultants, as needed, on economically reasonable terms, or at all. If we are not able to effectively manage our growth and expand our organization by hiring new employees and expanding our use of consultants, we might be unable to implement successfully the tasks necessary to execute effectively on our planned research, development and commercialization activities and, accordingly, might not achieve our research, development and commercialization goals.

If we fail to attract and retain management and other key personnel, we may be unable to continue to successfully develop or commercialize our product candidates or otherwise implement our business plan.

Our ability to compete in the highly competitive pharmaceuticals industry depends upon our ability to attract and retain highly qualified managerial, scientific, medical, sales and marketing and other personnel. We are highly dependent on our management and scientific personnel, including: our Chief Executive Officer and Chairman of the Board, Thomas G. Wiggans; our Chief Medical Officer and a member of our board of directors, Eugene A. Bauer, M.D.; our Chief Operating Officer and Chief Financial Officer, Andrew L. Guggenhime; our Executive Vice President, Product Development, Luis C. Peña; and our Vice President, Corporate Development and Strategy, Christopher M. Griffith. The loss of the services of any of these individuals could impede, delay or prevent the successful

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development of our product pipeline, completion of our planned clinical trials, commercialization of our product candidates or in-licensing or acquisition of new assets and could negatively impact our ability to successfully implement our business plan. If we lose the services of any of these individuals, we might not be able to find suitable replacements on a timely basis or at all, and our business could be harmed as a result. We do not maintain "key man" insurance policies on the lives of these individuals or the lives of any of our other employees. We employ all of our executive officers and key personnel on an at-will basis and their employment can be terminated by us or them at any time, for any reason and without notice. In order to retain valuable employees at our company, in addition to salary and cash incentives, we provide stock options that vest over time. The value to employees of stock options that vest over time will be significantly affected by movements in our stock price that are beyond our control, and may at any time be insufficient to counteract offers from other companies.

We might not be able to attract or retain qualified management and other key personnel in the future due to the intense competition for qualified personnel among biotechnology, pharmaceutical and other businesses, particularly in the San Francisco Bay Area where we are headquartered. We could have difficulty attracting experienced personnel to our company and may be required to expend significant financial resources in our employee recruitment and retention efforts. Many of the other pharmaceutical companies with whom we compete for qualified personnel have greater financial and other resources, different risk profiles and longer histories in the industry than we do. They also may provide more diverse opportunities and better chances for career advancement. If we are not able to attract and retain the necessary personnel to accomplish our business objectives, we may experience constraints that will harm our ability to implement our business strategy and achieve our business objectives.

In addition, we have scientific and clinical advisors who assist us in formulating our development and clinical strategies. These advisors are not our employees and may have commitments to, or consulting or advisory contracts with, other entities that may limit their availability to us. In addition, our advisors may have arrangements with other companies to assist those companies in developing products or technologies that may compete with ours.

We currently have limited marketing capabilities and no sales organization. If we are unable to establish sales and marketing capabilities on our own or through third parties, we will be unable to successfully commercialize our product candidates, if approved, or generate product revenue.

We currently have limited marketing capabilities and no sales organization. To commercialize our product candidates, if approved, in the United States, Canada, the European Union and other jurisdictions we seek to enter, we must build our marketing, sales, distribution, managerial and other non-technical capabilities or make arrangements with third parties to perform these services, and we may not be successful in doing so. Although our employees have experience in the marketing, sale and distribution of pharmaceutical products from prior employment at other companies, we as a company have no prior experience in the marketing, sale and distribution of pharmaceutical products and there are significant risks involved in building and managing a sales organization, including our ability to hire, retain and incentivize qualified individuals, generate sufficient sales leads, provide adequate training to sales and marketing personnel and effectively manage a geographically dispersed sales and marketing team. Any failure or delay in the development of our internal sales, marketing and distribution capabilities would adversely impact the commercialization of these products. To commercialize Cimzia, we also intend to leverage the commercial infrastructure of our partner UCB in selected areas such as managed care and patient access, which will provide us with resources and expertise in these areas that are greater than we could initially build ourselves. If we are unable to utilize UCB's resources and expertise in this way, the cost, time and complexity involved in developing our own commercial infrastructure will likely increase. We may choose to collaborate with additional third parties that have direct sales forces and established distribution systems, either to augment our own sales force and

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distribution systems or in lieu of our own sales force and distribution systems. If we are unable to enter into such arrangements on acceptable terms or at all, we may not be able to successfully commercialize our product candidates. The inability to successfully commercialize our product candidates, either on our own or through collaborations with one or more third parties, would harm our business, financial condition, operating results and prospects.

Our failure to successfully in-license, acquire, develop and market additional product candidates or approved products would impair our ability to grow our business.

We intend to in-license, acquire, develop and market additional products and product candidates. Because our internal research and development capabilities are limited, we may be dependent upon pharmaceutical companies, academic scientists and other researchers to sell or license products or technology to us. The success of this strategy depends partly upon our ability to identify and select promising pharmaceutical product candidates and products, negotiate licensing or acquisition agreements with their current owners and finance these arrangements.

The process of proposing, negotiating and implementing a license or acquisition of a product candidate or approved product is lengthy and complex. Other companies, including some with substantially greater financial, marketing, sales and other resources, may compete with us for the license or acquisition of product candidates and approved products. We have limited resources to identify and execute the acquisition or in-licensing of third-party products, businesses and technologies and integrate them into our current infrastructure. Moreover, we may devote resources to potential acquisitions or licensing opportunities that are never completed, or we may fail to realize the anticipated benefits of such efforts. We may not be able to acquire the rights to additional product candidates on terms that we find acceptable, or at all.

Further, any product candidate that we acquire may require additional development efforts prior to commercial sale, including preclinical or clinical testing and approval by the FDA and applicable foreign regulatory authorities. All product candidates are prone to risks of failure typical of pharmaceutical product development, including the possibility that a product candidate will not be shown to be sufficiently safe and effective for approval by regulatory authorities. In addition, we cannot provide assurance that any approved products that we acquire will be manufactured or sold profitably or achieve market acceptance.

We intend to in-license and acquire product candidates and may in-license and acquire commercial-stage products or engage in other strategic transactions, which could impact our liquidity, increase our expenses and present significant distractions to our management.

Our strategy is to in-license and acquire product candidates and we may in-license and acquire commercial-stage products or engage in other strategic transactions. Additional potential transactions that we may consider include a variety of different business arrangements, including spin-offs, strategic partnerships, joint ventures, restructurings, divestitures, business combinations and investments. Any such transaction may require us to incur non-recurring or other charges, may increase our near- and long-term expenditures and may pose significant integration challenges or disrupt our management or business, which could adversely affect our operations and financial results. For example, these transactions entail numerous potential operational and financial risks, including:

- exposure to unknown liabilities;
- disruption of our business and diversion of our management's time and attention in order to develop acquired products, product candidates or technologies;
- incurrence of substantial debt or dilutive issuances of equity securities to pay for acquisitions;
- substantial acquisition and integration costs;

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write-downs of assets or impairment charges;

increased amortization expenses;

difficulty and cost in combining the operations and personnel of any acquired businesses with our operations and personnel;

impairment of relationships with key suppliers, partners or customers of any acquired businesses due to changes in management and ownership; and

inability to retain our key employees or those of any acquired businesses.

Accordingly, there can be no assurance that we will undertake or successfully complete any transactions of the nature described above, and any transaction that we do complete could harm our business, financial condition, operating results and prospects. We have no current plan, commitment or obligation to enter into any transaction described above.

The terms of our credit facility place restrictions on our operating and financial flexibility and if we fail to comply with the covenants and other obligations under our credit facility, the lenders may be able to accelerate amounts owed under the facility and may foreclose upon the assets securing our obligations.

At any time when we have the ability to obtain a term loan or we have outstanding borrowings under our loan and security agreement, as amended, with Square 1 Bank, we will be required to maintain certain deposit accounts with Square 1 Bank and we will be prohibited from engaging in significant business transactions without the prior consent of Square 1 Bank, including a change of control, the acquisition by us of another company, incurring additional indebtedness or engaging in new business activities other than those reasonably related or incidental to our current business activities. These restrictions could significantly limit our ability to respond to changes in our business or competitive activities or take advantage of business opportunities that may create value for our stockholders. As part of the credit facility, we granted to Square 1 Bank a first priority lien on all our assets other than our intellectual property, subject to certain limited exceptions. In addition, in the event of a default under this agreement, our repayment obligations may be accelerated in full and, in the event that we do not have sufficient capital to repay the amounts then owed, Square 1 Bank may foreclose on the assets securing our obligations under the credit facility. In addition, the terms of our loan and security agreement restrict our ability to pay dividends. Furthermore, if we raise any additional debt financing, the terms of such additional debt could further restrict our operating and financial flexibility.

Our operating results may fluctuate significantly, which makes our future operating results difficult to predict and could cause our operating results to fall below expectations.

Our operations to date have been primarily limited to researching and developing our product candidates and undertaking preclinical studies and clinical trials of our product candidates. We have not yet obtained regulatory approvals for any of our product candidates. Consequently, any predictions you make about our future success or viability may not be as accurate as they could be if we had a longer operating history or approved products on the market. From time to time, we may enter into collaboration agreements and license agreements with other companies that include development funding and significant upfront and milestone expenditures and payments, and we expect that amounts earned from or paid pursuant to these agreements will be a significant source of our capital expenditures and an important source of our revenue. Accordingly, our revenue and profitability will depend on development funding and the achievement of development and clinical milestones under the UCB agreement, as well as any potential future collaboration and license agreements and sales of our products, if approved. These upfront and milestone payments may vary significantly from period to period and any such variance could cause a significant fluctuation in our operating results from one

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period to the next. In addition, we measure compensation cost for stock-based awards made to employees at the grant date of the award, based on the fair value of the award as determined by our board of directors, and recognize the cost as an expense over the employee's requisite service period. As the variables that we use as a basis for valuing these awards change over time, including our underlying stock price and stock price volatility, the magnitude of the expense that we must recognize may vary significantly. Furthermore, our operating results may fluctuate due to a variety of other factors, many of which are outside of our control and may be difficult to predict, including the following:

- delays in the commencement, enrollment and the timing of clinical testing for our product candidates;
- the timing and success or failure of clinical trials for our product candidates or competing product candidates, or any other change in the competitive landscape of our industry, including consolidation among our competitors or partners;
- any delays in regulatory review and approval of product candidates in clinical development;
- the timing and cost of, and level of investment in, research and development activities relating to our product candidates, which may change from time to time;
- the cost of manufacturing our product candidates, which may vary depending on FDA guidelines and requirements, and the quantity of production;
- our ability to obtain additional funding to develop our product candidates;
- expenditures that we will or may incur to acquire or develop additional product candidates and technologies;
- the level of demand for our product candidates, should they receive approval, which may vary significantly;
- potential side effects of our product candidates that could delay or prevent commercialization or cause an approved drug to be taken off the market;
- the ability of patients or healthcare providers to obtain coverage of or sufficient reimbursement for our product candidates, if approved;
- our dependency on third-party manufacturers to supply or manufacture our product candidates;
- our ability to establish an effective sales, marketing and distribution infrastructure in a timely manner;
- market acceptance of our product candidates, if approved, and our ability to forecast demand for those product candidates;
- our ability to receive approval and commercialize our product candidates outside of the United States;
- our ability to establish and maintain collaborations, licensing or other arrangements;

our ability and third parties' abilities to protect intellectual property rights;

costs related to and outcomes of potential litigation or other disputes;

our ability to adequately support future growth;

our ability to attract and retain key personnel to manage our business effectively;

potential liabilities associated with hazardous materials;

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our ability to maintain adequate insurance policies; and

future accounting pronouncements or changes in our accounting policies.

Our operating results and liquidity needs could be negatively affected by market fluctuations and economic downturn.

Our operating results and liquidity could be negatively affected by economic conditions generally, both in the United States and elsewhere around the world. The market for discretionary medical products and procedures may be particularly vulnerable to unfavorable economic conditions. Some patients may consider certain of our product candidates to be discretionary, and if full reimbursement for such products is not available, demand for these products may be tied to the discretionary spending levels of our targeted patient populations. Domestic and international equity and debt markets have experienced and may continue to experience heightened volatility and turmoil based on domestic and international economic conditions and concerns. In the event these economic conditions and concerns continue or worsen and the markets continue to remain volatile, our operating results and liquidity could be adversely affected by those factors in many ways, including weakening demand for certain of our products and making it more difficult for us to raise funds if necessary, and our stock price may decline. Additionally, although we plan to market our products primarily in the United States, our partners have extensive global operations, indirectly exposing us to risk.

Our ability to utilize our net operating loss, or NOL, carryforwards and research and development income tax credit carryforwards may be limited.

As of December 31, 2014, we had NOL carryforwards available to reduce future taxable income, if any, for federal, California and Canadian income tax purposes of $61.5 million, $44.5 million and $3.5 million, respectively. If not utilized, the federal and California NOL carryforwards will begin expiring during the year ending December 31, 2030 and the Canadian NOL carryforwards will begin expiring during the year ending December 31, 2028. Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an "ownership change," generally defined as a greater than 50% change (by value) in its equity ownership over a three year period, the corporation's ability to use its pre-change NOL carryforwards and other pre-change tax attributes (such as research tax credits) to offset its post-change income may be limited. We have experienced at least one ownership change since inception and our utilization of NOL carryforwards will therefore be subject to annual limitation. We may also experience ownership changes in the future as a result of subsequent shifts in our stock ownership. As a result, if we earn net taxable income, our ability to use our pre-change NOL carryforwards to offset U.S. federal taxable income may be subject to limitations, which could potentially result in increased future tax liability to us. In addition, at the state level, there may be periods during which the use of NOL carryforwards is suspended or otherwise limited, which could accelerate or permanently increase state taxes owed.

We may be adversely affected by natural disasters and other catastrophic events, and by man-made problems such as terrorism, that could disrupt our business operations and our business continuity and disaster recovery plans may not adequately protect us from a serious disaster.

Our corporate headquarters are located in Menlo Park, California, near major earthquake and fire zones. If a disaster, power outage or other event occurred that prevented us from using all or a significant portion of our headquarters, that damaged critical infrastructure, such as enterprise financial systems, manufacturing resource planning or enterprise quality systems, or that otherwise disrupted operations, it may be difficult or, in certain cases, impossible for us to continue our business for a substantial period of time. Our contract manufacturers' and suppliers' facilities are located in multiple locations, where other natural disasters or similar events, such as blizzards, tornadoes, fires, explosions or large-scale accidents or power outages, could severely disrupt our operations and have a material

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adverse effect on our business, financial condition, operating results and prospects. In addition, acts of terrorism and other geo-political unrest could cause disruptions in our business or the businesses of our partners, manufacturers or the economy as a whole. All of the aforementioned risks may be further increased if we do not implement a disaster recovery plan or our partners' or manufacturers' disaster recovery plans prove to be inadequate. To the extent that any of the above should result in delays in the regulatory approval, manufacture, distribution or commercialization of our product candidates, our business, financial condition, operating results and prospects would suffer.

Our business and operations would suffer in the event of failures in our internal computer systems.

Despite the implementation of security measures, our internal computer systems and those of our current and any future partners, contractors and consultants are vulnerable to damage from computer viruses, unauthorized access, natural disasters, terrorism, war and telecommunication and electrical failures. While we have not experienced any such material system failure, accident or security breach to date, if such an event were to occur and cause interruptions in our operations, it could result in a material disruption of our manufacturing activities, development programs and our business operations. For example, the loss of manufacturing records or clinical trial data from completed or future clinical trials could result in delays in our regulatory approval efforts and significantly increase our costs to recover or reproduce the data. To the extent that any disruption or security breach were to result in a loss of, or damage to, our data or applications, or inappropriate disclosure of confidential or proprietary information, we could incur liability and the further commercialization and development of our products and product candidates could be delayed.

Risks Related to Our Intellectual Property

We may not be able to obtain or enforce patent rights or other intellectual property rights that cover our product candidates and technologies that are of sufficient breadth to prevent third parties from competing against us.

Our success with respect to our product candidates and technologies will depend in part on our ability to obtain and maintain patent protection in both the United States and other countries, to preserve our trade secrets and to prevent third parties from infringing upon our proprietary rights. Our ability to protect any of our product candidates from unauthorized or infringing use by third parties depends in substantial part on our ability to obtain and maintain valid and enforceable patents.

Our patent portfolio includes patents and patent applications in the United States and foreign jurisdictions where we believe there is a market opportunity for our products. The covered technology and the scope of coverage vary from country to country. For those countries where we do not have granted patents, we may not have any ability to prevent the unauthorized use of our technologies. Any patents that we may obtain may be narrow in scope and thus easily circumvented by competitors. Further, in countries where we do not have granted patents, third parties may be able to make, use or sell products identical to or substantially similar to, our product candidates.

The patent application process, also known as patent prosecution, is expensive and time-consuming, and we and our current or future licensors and licensees may not be able to prepare, file and prosecute all necessary or desirable patent applications at a reasonable cost or in a timely manner. It is also possible that we or our current licensors, or any future licensors or licensees, will fail to identify patentable aspects of inventions made in the course of development and commercialization activities before it is too late to obtain patent protection on them. Therefore, these and any of our patents and applications may not be prosecuted and enforced in a manner consistent with the best interests of our business. It is possible that defects of form in the preparation or filing of our patents or patent applications may exist, or may arise in the future, such as with respect to proper priority claims, inventorship, claim scope or patent term adjustments. If our current licensors, or any future licensors or

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licensees, are not fully cooperative or disagree with us as to the prosecution, maintenance or enforcement of any patent rights, such patent rights could be compromised and we might not be able to prevent third parties from making, using and selling competing products. If there are material defects in the form or preparation of our patents or patent applications, such patents or applications may be invalid and unenforceable. Moreover, our competitors may independently develop equivalent knowledge, methods and know-how. Any of these outcomes could impair our ability to prevent competition from third parties, which may have an adverse impact on our business, financial condition and operating results.

Due to legal standards relating to patentability, validity, enforceability and claim scope of patents covering pharmaceutical inventions, our ability to obtain, maintain and enforce patents is uncertain and involves complex legal and factual questions. Accordingly, rights under any existing patents or any patents we might obtain or license may not cover our product candidates, or may not provide us with sufficient protection for our product candidates to afford a commercial advantage against competitive products or processes, including those from branded and generic pharmaceutical companies. In addition, we cannot guarantee that any patents will issue from any pending or future patent applications owned by or licensed to us. Even if patents have issued or will issue, we cannot guarantee that the claims of these patents are or will be held valid or enforceable if challenged in post-grant proceedings or by the courts or will provide us with any significant protection against competitive products or otherwise be commercially valuable to us.

Competitors in the field of dermatologic therapeutics have created a substantial amount of prior art, including scientific publications, patents and patent applications. Our ability to obtain and maintain valid and enforceable patents depends on whether the differences between our technology and the prior art allow our technology to be patentable over the prior art. Although we believe that our technology includes certain inventions that are unique and not duplicative of any prior art, we do not have outstanding issued patents covering all of the recent developments in our technology and we are unsure of the patent protection that we will be successful in obtaining, if any. Even if the patents do successfully issue, third parties may design around or challenge the validity, enforceability or scope of such issued patents or any other issued patents we own or license, which may result in such patents being narrowed, invalidated or held unenforceable. In particular, due to the extensive prior art relating to anticholinergic agents to control hyperhidrosis and because DRM04 is a form of a generic anticholinergic agent, the patent protection available for DRM04 may not prevent competitors from developing and commercializing similar products. If the breadth or strength of protection provided by the patents we hold or pursue with respect to our product candidates is challenged, it could dissuade companies from collaborating with us to develop, or threaten our ability to commercialize, our product candidates.

The laws of some foreign jurisdictions do not provide intellectual property rights to the same extent as in the United States and many companies have encountered significant difficulties in protecting and defending such rights in foreign jurisdictions. If we encounter such difficulties in protecting or are otherwise precluded from effectively protecting our intellectual property in foreign jurisdictions, our business prospects could be substantially harmed. The patent positions of pharmaceutical and biotechnology companies can be highly uncertain and involve complex legal and factual questions for which important legal principles remain unresolved. Changes in either the patent laws or in the interpretations of patent laws in the United States and other countries may diminish the value of our intellectual property. Accordingly, we cannot predict the breadth of claims that may be allowed or enforced in our patents or in third-party patents.

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The degree of future protection of our proprietary rights is uncertain. Patent protection may be unavailable or severely limited in some cases and may not adequately protect our rights or permit us to gain or keep our competitive advantage. For example:

- we might not have been the first to invent or the first to file the inventions covered by each of our pending patent applications and issued patents;
- others may independently develop similar or alternative technologies or duplicate any of our technologies;
- the patents of others may have an adverse effect on our business;
- any patents we obtain or our licensors' issued patents may not encompass commercially viable products, may not provide us with any competitive advantages or may be challenged by third parties;
- any patents we obtain or our in-licensed issued patents may not be valid or enforceable; and
- we may not develop additional proprietary technologies that are patentable or provide us with a competitive advantage.

Patents have a limited lifespan. In the United States, the natural expiration of a patent is generally 20 years after it is filed. Various extensions may be available; however the life of a patent, and the protection it affords, is limited. Without patent protection for our product candidates, we may be open to competition from generic versions of our product candidates. Further, the extensive period of time between patent filing and regulatory approval for a product candidate limits the time during which we can market a product candidate under patent protection, which may particularly affect the profitability of our early-stage product candidates. The issued U.S. patents relating to DRM01 and DRM04 will expire between 2020 and 2034. The issued U.S. patents relating to Cimzia will expire in 2024.

Proprietary trade secrets and unpatented know-how are also very important to our business. Although we have taken steps to protect our trade secrets and unpatented know-how by entering into confidentiality agreements with third parties, and intellectual property protection agreements with certain employees, consultants and advisors, third parties may still obtain this information or we may be unable to protect our rights. We also have limited control over the protection of trade secrets used by our suppliers, manufacturers and other third parties. There can be no assurance that binding agreements will not be breached, that we would have adequate remedies for any breach or that our trade secrets and unpatented know-how will not otherwise become known or be independently discovered by our competitors. If trade secrets are independently discovered, we would not be able to prevent their use. Enforcing a claim that a third party illegally obtained and is using our trade secrets or unpatented know-how is expensive and time-consuming, and the outcome is unpredictable. In addition, courts outside the United States may be less willing to protect trade secret information.

Changes in patent law could diminish the value of patents in general, thereby impairing our ability to protect our product candidates.

The United States has recently enacted and is currently implementing wide-ranging patent reform legislation. Further, recent U.S. Supreme Court rulings have either narrowed the scope of patent protection available in certain circumstances or weakened the rights of patent owners in certain situations. In addition to increasing uncertainty with regard to our ability to obtain patents in the future, this combination of events has created uncertainty with respect to the scope and value of patents, once obtained.

For our U.S. patent applications containing a priority claim after March 16, 2013, there is a greater level of uncertainty in the patent law. In September 2011, the Leahy-Smith America Invents Act, also known as the America Invents Act, or AIA, was signed into law. The AIA includes a number of

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significant changes to U.S. patent law, including provisions that affect the way patent applications will be prosecuted and may also affect patent litigation. The AIA and its implementation could increase the uncertainties and costs surrounding the prosecution of our patent applications and the enforcement or defense of our issued patents, all of which could have an adverse effect on our business. An important change introduced by the AIA is that, as of March 16, 2013, the United States transitioned to a "first-to-file" system for deciding which party should be granted a patent when two or more patent applications are filed by different parties claiming the same invention. A third party that files a patent application in the U.S. Patent and Trademark Office, or USPTO, after that date but before us could therefore be awarded a patent covering an invention of ours even if we had made the invention before it was made by the third party. This will require us to be cognizant going forward of the time from invention to filing of a patent application.

Among some of the other changes introduced by the AIA are changes that limit where a patentee may file a patent infringement suit and providing opportunities for third parties to challenge any issued patent in the USPTO. This applies to all of our U.S. patents, even those issued before March 16, 2013. Because of a lower evidentiary standard in USPTO proceedings compared to the evidentiary standard in United States federal court necessary to invalidate a patent claim, a third party could potentially provide evidence in a USPTO proceeding sufficient for the USPTO to hold a claim invalid even though the same evidence would be insufficient to invalidate the claim if first presented in a district court action. Accordingly, a third party may attempt to use the USPTO procedures to invalidate our patent claims that would not have been invalidated if first challenged by the third party as a defendant in a district court action.

Depending on decisions by the U.S. Congress, the U.S. federal courts, the USPTO or similar authorities in foreign jurisdictions, the laws and regulations governing patents could change in unpredictable ways that may weaken our and our licensors' ability to obtain new patents or to enforce existing patents we and our licensors or partners may obtain in the future.

We may not be able to protect our intellectual property rights throughout the world.

Filing, prosecuting and defending patents on our product candidates in all countries throughout the world would be prohibitively expensive. The requirements for patentability may differ in certain countries, particularly developing countries. In addition, the laws of some foreign countries do not protect intellectual property rights to the same extent as laws in the United States. Consequently, we may not be able to prevent third parties from practicing our inventions in all countries outside the United States. Competitors may use our technologies in jurisdictions where we have not obtained patent protection to develop their own products and, further, may export otherwise infringing products to territories where we have patent protection, but enforcement on infringing activities is inadequate. These products may compete with our products, and our patents or other intellectual property rights may not be effective or sufficient to prevent them from competing.

Many companies have encountered significant problems in protecting and defending intellectual property rights in foreign jurisdictions. The legal systems of certain countries, particularly certain developing countries, do not favor the enforcement of patents and other intellectual property protection, particularly those relating to pharmaceuticals, which could make it difficult for us to stop the infringement of our patents or marketing of competing products in violation of our proprietary rights generally. Proceedings to enforce our patent rights in foreign jurisdictions could result in substantial costs and divert our efforts and attention from other aspects of our business, could put our patents at risk of being invalidated or interpreted narrowly and our patent applications at risk of not issuing, and could provoke third parties to assert claims against us. We may not prevail in any lawsuits that we initiate and the damages or other remedies awarded, if any, may not be commercially meaningful. In addition, certain countries in Europe and certain developing countries have compulsory licensing laws under which a patent owner may be compelled to grant licenses to third parties. In those

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countries, we may have limited remedies if our patents are infringed or if we are compelled to grant a license to our patents to a third party, which could materially diminish the value of those patents. This could limit our potential revenue opportunities. Accordingly, our efforts to enforce our intellectual property rights around the world may be inadequate to obtain a significant commercial advantage from the intellectual property that we own or license. Finally, our ability to protect and enforce our intellectual property rights may be adversely affected by unforeseen changes in foreign intellectual property laws.

Obtaining and maintaining our patent protection depends on compliance with various procedural, document submission, fee payment and other requirements imposed by governmental patent agencies, and our patent protection could be reduced or eliminated for non-compliance with these requirements.

Periodic maintenance and annuity fees on any issued patent are due to be paid to the USPTO and foreign patent agencies in several stages over the lifetime of the patent. The USPTO and various foreign governmental patent agencies require compliance with a number of procedural, documentary, fee payment and other similar provisions during the patent application process. While an inadvertent lapse can in many cases be cured by payment of a late fee or by other means in accordance with the applicable rules, there are situations in which noncompliance can result in abandonment or lapse of the patent or patent application, resulting in partial or complete loss of patent rights in the relevant jurisdiction. Non-compliance events that could result in abandonment or lapse of a patent or patent application include failure to respond to official actions within prescribed time limits, non-payment of fees and failure to properly legalize and submit formal documents. If we or our licensors fail to maintain the patents and patent applications covering our product candidates, our competitors might be able to enter the market, which would have an adverse effect on our business.

If we fail to comply with our obligations under our intellectual property license agreements, we could lose license rights that are important to our business.

We are a party to certain license agreements that impose various diligence, milestone, royalty, insurance and other obligations on us. If we fail to comply with these obligations, the respective licensors may have the right to terminate the license, in which event we may not be able to develop or market the affected product candidate. The loss of such rights could materially adversely affect our business, financial condition, operating results and prospects. For more information about these license arrangements, see "Business Collaborations and License Agreements" in our 2014 Annual Report, which is incorporated by reference in this prospectus.

If we are sued for infringing intellectual property rights of third parties, it will be costly and time-consuming, and an unfavorable outcome in that litigation could have a material adverse effect on our business.

Our commercial success depends upon our ability to develop, manufacture, market and sell our product candidates and use our proprietary technologies without infringing the proprietary rights of third parties. We cannot assure you that marketing and selling such candidates and using such technologies will not infringe existing or future patents. Numerous U.S. and foreign issued patents and pending patent applications owned by third parties exist in the fields relating to our product candidates. As the biotechnology and pharmaceutical industries expand and more patents are issued, the risk increases that others may assert that our product candidates, technologies or methods of delivery or use infringe their patent rights. Moreover, it is not always clear to industry participants, including us, which patents cover various drugs, biologics, drug delivery systems or their methods of use, and which of these patents may be valid and enforceable. Thus, because of the large number of patents issued and patent applications filed in our fields, there may be a risk that third parties may allege they have patent rights encompassing our product candidates, technologies or methods.

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In addition, there may be issued patents of third parties that are infringed or are alleged to be infringed by our product candidates or proprietary technologies. Because some patent applications in the United States may be maintained in secrecy until the patents are issued, because patent applications in the United States and many foreign jurisdictions are typically not published until eighteen months after filing and because publications in the scientific literature often lag behind actual discoveries, we cannot be certain that others have not filed patent applications for technology covered by our own and in-licensed issued patents or our pending applications. Our competitors may have filed, and may in the future file, patent applications covering our product candidates or technology similar to ours. Any such patent application may have priority over our own and in-licensed patent applications or patents, which could further require us to obtain rights to issued patents covering such technologies. If another party has filed a U.S. patent application on inventions similar to those owned or in-licensed to us, we or, in the case of in-licensed technology, the licensor may have to participate, in the United States, in an interference proceeding to determine priority of invention.

We may be exposed to, or threatened with, future litigation by third parties having patent or other intellectual property rights alleging that our product candidates or proprietary technologies infringe such third parties' intellectual property rights, including litigation resulting from filing under Paragraph IV of the Hatch-Waxman Act. These lawsuits could claim that there are existing patent rights for such drug and this type of litigation can be costly and could adversely affect our operating results and divert the attention of managerial and technical personnel, even if we do not infringe such patents or the patents asserted against us are ultimately established as invalid. There is a risk that a court would decide that we are infringing the third party's patents and would order us to stop the activities covered by the patents. In addition, there is a risk that a court will order us to pay the other party damages for having violated the other party's patents.

There is a substantial amount of litigation involving patent and other intellectual property rights in the biotechnology and pharmaceutical industries generally. To date, no litigation asserting infringement claims has ever been brought against us. If a third party claims that we infringe its intellectual property rights, we may face a number of issues, including:

- infringement and other intellectual property claims which, regardless of merit, may be expensive and time-consuming to litigate and may divert our management's attention from our core business;
- substantial damages for infringement, which we may have to pay if a court decides that the product or technology at issue infringes or violates the third party's rights, and if the court finds that the infringement was willful, we could be ordered to pay treble damages and the patent owner's attorneys' fees;
- a court prohibiting us from selling or licensing the product or using the technology unless the third party licenses its intellectual property rights to us, which it is not required to do;
- if a license is available from a third party, we may have to pay substantial royalties or upfront fees or grant cross-licenses to intellectual property rights for our products or technologies; and
- redesigning our products or processes so they do not infringe, which may not be possible or may require substantial monetary expenditures and time.

Some of our competitors may be able to sustain the costs of complex patent litigation more effectively than we can because they have substantially greater resources. In addition, any uncertainties resulting from the initiation and continuation of any litigation could harm our ability to raise additional funds or otherwise adversely affect our business, financial condition, operating results and prospects.

Because we rely on certain third-party licensors and partners, and will continue to do so in the future, if one of our licensors or partners is sued for infringing a third party's intellectual property

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rights, our business, financial condition, operating results and prospects could suffer in the same manner as if we were sued directly. In addition to facing litigation risks, we have agreed to indemnify certain third-party licensors and partners against claims of infringement caused by our proprietary technologies, and we have entered or may enter into cost-sharing agreements with some our licensors and partners that could require us to pay some of the costs of patent litigation brought against those third parties whether or not the alleged infringement is caused by our proprietary technologies. In certain instances, these cost-sharing agreements could also require us to assume greater responsibility for infringement damages than would be assumed just on the basis of our technology.

The occurrence of any of the foregoing could adversely affect our business, financial condition or operating results.

We may become involved in lawsuits or other adverse proceedings to protect or enforce our patents or other intellectual property or the patents of our licensors, which could be expensive and time-consuming.

Competitors may infringe our intellectual property, including our patents or the patents of our licensors. As a result, we may be required to file infringement claims to stop third-party infringement or unauthorized use. This can be expensive, particularly for a company of our size, and time-consuming. In addition, in an infringement proceeding, a court may decide that a patent of ours is not valid or is unenforceable, or may refuse to stop the other party from using the technology at issue on the grounds that our patent claims do not cover its technology or that the factors necessary to grant an injunction against an infringer are not satisfied. An adverse determination of any litigation or other proceedings could put one or more of our patents at risk of being invalidated, interpreted narrowly or amended such that they do not cover our product candidates. Moreover, such adverse determinations could put our patent applications at risk of not issuing, or issuing with limited and potentially inadequate scope to cover our product candidates or to prevent others from marketing similar products.

Interference, derivation or other proceedings such as inter partes review, post-grant review and reexamination brought at the USPTO may be necessary to determine the priority or patentability of inventions with respect to our patent applications or those of our licensors or potential partners. Litigation or USPTO proceedings brought by us may fail or may be invoked against us by third parties. Even if we are successful, domestic or foreign litigation or USPTO or foreign patent office proceedings may result in substantial costs and distraction to our management. We may not be able, alone or with our licensors or potential partners, to prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States.

Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation or other proceedings, there is a risk that some of our confidential information could be compromised by disclosure during this type of litigation or other proceedings. In addition, during the course of this kind of litigation or proceedings, there could be public announcements of the results of hearings, motions or other interim proceedings or developments or public access to related documents. If investors perceive these results to be negative, the market price for our common stock could be significantly harmed.

We may be subject to claims that our employees, consultants or independent contractors have wrongfully used or disclosed to us alleged trade secrets of their former employers or their former or current customers.

As is common in the biotechnology and pharmaceutical industries, certain of our employees were formerly employed by other biotechnology or pharmaceutical companies, including our competitors or potential competitors. Moreover, we engage the services of consultants to assist us in the development of our products and product candidates, many of whom were previously employed at or may have previously been or are currently providing consulting services to, other biotechnology or pharmaceutical

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companies, including our competitors or potential competitors. We may be subject to claims that these employees and consultants or we have inadvertently or otherwise used or disclosed trade secrets or other proprietary information of their former employers or their former or current customers. Although we have no knowledge of any such claims being alleged to date, if such claims were to arise, litigation may be necessary to defend against any such claims. Even if we are successful in defending against any such claims, any such litigation could be protracted, expensive, a distraction to our management team, not viewed favorably by investors and other third parties and may potentially result in an unfavorable outcome.

Risks Related to this Offering, the Securities Markets and Ownership of Our Common Stock

The stock price of our common stock has been, and is likely to continue to be, volatile and may decline and you may not be able to resell your shares at or above the offering price.

Prior to our initial public offering in October 2014, there had not been a public market for our common stock. The price of our common stock in this offering will be determined through negotiations between the underwriters and us and may vary from the market price of our common stock prior to or following this offering. If you purchase shares of our common stock in this offering, you may not be able to resell those shares at or above the offering price. An active or liquid market in our common stock may not be sustainable. The market price of our common stock may fluctuate significantly in response to numerous factors, many of which are beyond our control, including:

- the development status of our product candidates, including whether any of our product candidates receive regulatory approval;
- regulatory or legal developments in the United States and foreign countries;
- the results of our clinical trials and preclinical studies;
- the clinical results of our competitors or potential competitors;
- the success of, and fluctuations in, the commercial sales of products approved for commercialization, if any;
- the execution of our partnering and manufacturing arrangements;
- our execution of collaboration, co-promotion, licensing or other arrangements, and the timing of payments we may make or receive under these arrangements;
- variations in the level of expenses related to our preclinical and clinical development programs, including relating to the timing of invoices from, and other billing practices of, our CROs and clinical trial sites;
- variations in the level of expenses related to our commercialization activities, if any product candidates are approved;
- the performance of third parties on whom we rely for clinical trials, manufacturing, marketing, sales and distribution, including their ability to comply with regulatory requirements;
- overall performance of the equity markets;

changes in operating performance and stock market valuations of other pharmaceutical companies;

market conditions or trends in our industry or the economy as a whole;

the public's response to press releases or other public announcements by us or third parties, including our filings with the Securities and Exchange Commission, or the SEC, and

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announcements relating to acquisitions, strategic transactions, licenses, joint ventures, capital commitments, intellectual property, litigation or other disputes impacting us or our business;

developments with respect to intellectual property rights;

our commencement of, or involvement in, litigation;

FDA or foreign regulatory actions affecting us or our industry;

changes in the structure of healthcare payment systems;

the financial projections we may provide to the public, any changes in these projections or our failure to meet these projections;

changes in financial estimates by any securities analysts who follow our common stock, our failure to meet these estimates or failure of those analysts to initiate or maintain coverage of our common stock;

ratings downgrades by any securities analysts who follow our common stock;

the development and sustainability of an active trading market for our common stock;

the size of our market float;

the expiration of market standoff or contractual lock-up agreements and future sales of our common stock by our officers, directors and significant stockholders;

recruitment or departure of key personnel;

changes in accounting principles;

other events or factors, including those resulting from war, incidents of terrorism, natural disasters or responses to these events; and

any other factors discussed herein.

In addition, the stock markets, and in particular The NASDAQ Global Select Market, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many pharmaceutical companies. Stock prices of many pharmaceutical companies have fluctuated in a manner unrelated or disproportionate to the operating performance of those companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

Since January 1, 2015 through July 27, 2015, the closing sale price of our common stock on The NASDAQ Global Select Market ranged from $14.34 to $24.91 per share. Because our stock price has been volatile, investing in our common stock is risky.

If we fail to maintain an effective system of internal control over financial reporting, we may not be able to accurately report our financial results or prevent fraud. As a result, stockholders could lose confidence in our financial and other public reporting, which would harm our business and the trading price of our common stock.

Effective internal control over financial reporting is necessary for us to provide reliable financial reports and, together with adequate disclosure controls and procedures, are designed to prevent fraud. Any failure to implement required new or improved controls, or difficulties encountered in their implementation, could cause us to fail to meet our reporting obligations. Ineffective internal control could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our common stock. In addition, any future testing by us

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conducted in connection with Section 404 of the Sarbanes-Oxley Act, or the subsequent testing by our independent registered public accounting firm, may reveal deficiencies in our internal controls over financial reporting that are deemed to be material weaknesses or that may require prospective or retroactive changes to our consolidated financial statements or identify other areas for further attention or improvement.

We are required, pursuant to Section 404 of the Sarbanes-Oxley Act, to furnish a report by management on, among other things, the effectiveness of our internal control over financial reporting beginning with the fiscal year ending December 31, 2015. However, for as long as we are an "emerging growth company" under the JOBS Act, our independent registered public accounting firm will not be required to attest to the effectiveness of our internal control over financial reporting pursuant to Section 404. We could be an emerging growth company for up to five years. An independent assessment of the effectiveness of our internal controls could detect problems that our management's assessment might not. Undetected material weaknesses in our internal controls could lead to financial statement restatements and require us to incur the expense of remediation.

We incur significantly increased costs as a result of and devote substantial management time to operating as a public company.

As a public company, we incur significant legal, accounting and other expenses that we did not previously incur as a private company. For example, we are subject to the reporting requirements of the Securities Exchange Act of 1934, as amended, and are required to comply with the applicable requirements of the Sarbanes-Oxley Act and the Dodd-Frank Wall Street Reform and Consumer Protection Act, as well as rules and regulations subsequently implemented by the SEC and The NASDAQ Global Select Market, including the establishment and maintenance of effective disclosure and financial controls, changes in corporate governance practices and required filing of annual, quarterly and current reports with respect to our business and operating results. Compliance with these requirements has increased and will continue to increase our legal and financial compliance costs and has made and will increasingly make some activities more time-consuming and costly. In addition, our management and other personnel need to divert attention from operational and other business matters to devote substantial time to these public company requirements. We also need to hire additional accounting and financial staff with appropriate public company experience and technical accounting knowledge.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about our business, our stock price and trading volume could decline.

The trading market for our common stock depends in part on the research and reports that securities or industry analysts publish about us or our business. Prior to our initial public offering in October 2014, there had not been a public market for our common stock and we did not have research coverage by securities and industry analysts. If one or more of the analysts who covers us downgrades our stock or publishes inaccurate or unfavorable research about our business, our stock price would likely decline. If one or more of these analysts ceases coverage of us or fails to publish reports on us regularly, demand for our stock could decrease, which could cause our stock price and trading volume to decline.

Future sales of our common stock or securities convertible into our common stock may depress our stock price.

Sales of a substantial number of shares of our common stock or securities convertible into our common stock in the public market could occur at any time. These sales, or the perception in the market that the holders of a large number of shares intend to sell shares, could reduce the market

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price of our common stock. As of June 30, 2015, we had approximately 24.7 million shares of common stock outstanding.

As a result of the lock-up agreements described in "Shares Eligible for Future Sale" and "Underwriting," shares will be available for sale in the public market at various times as follows, subject to the provisions of Rules 144 and 701 under the Securities Act of 1933, as amended, or the Securities Act:

- beginning on the date of this prospectus, all of the shares sold in this offering will be immediately available for sale in the public market without restriction;
- shares will become eligible for sale in the public market beginning on the 91st day following the date of this prospectus pursuant to the lock-up agreements entered into in connection with this offering; provided, however, that Leerink Partners LLC may permit our officers, directors and other stockholders who are subject to these lock-up agreements to sell shares prior to the end of the lock-up period; and
- shares that are already issued and outstanding are immediately available for sale in the public market subject to securities laws and our insider trading policy.

If a large number of shares of our common stock or securities convertible into our common stock are sold in the public market after they become eligible for sale, the sales could reduce the trading price of our common stock and impede our ability to raise future capital.

Certain holders of shares of our common stock are entitled to rights with respect to the registration of their shares under the Securities Act, subject to the lock-up arrangements described in "Shares Eligible for Future Sale" and "Underwriting." Registration of these shares under the Securities Act would result in the shares becoming freely tradable without restriction under the Securities Act, except for shares held by our affiliates as defined in Rule 144 under the Securities Act. Any sales of securities by these stockholders could have a material adverse effect on the trading price of our common stock.

Our directors and executive officers, together with their affiliates, will continue to exert significant influence over us after this offering and could impede a change of corporate control.

Upon completion of this offering, our directors and executive officers, together with their affiliates, will beneficially own, in the aggregate, approximately % of our outstanding common stock (assuming no exercise of the underwriters' option to purchase additional shares). As a result, these stockholders, acting together, would have the ability to exert significant influence on matters submitted to our stockholders for approval, including the election of directors and any merger, consolidation or sale of all or substantially all of our assets. In addition, these stockholders, acting together, have the ability to significantly influence the management and affairs of our company. Accordingly, this concentration of ownership could harm the market price of our common stock by:

- delaying, deferring or preventing a change of control of us;
- impeding a merger, consolidation, takeover or other business combination involving us; or
- discouraging a potential acquiror from making a tender offer or otherwise attempting to obtain control of us.

See "Principal Stockholders" for more information regarding the ownership of our outstanding stock by our directors and executive officers, together with their affiliates, and holders of more than 5% of our common stock.

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Delaware law and provisions in our restated certificate of incorporation and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the trading price of our common stock.

The anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change of control by prohibiting us from engaging in a business combination with stockholders owning in excess of 15% of our outstanding voting stock for a period of three years after the person becomes an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our restated certificate of incorporation and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- our board of directors is classified into three classes of directors with staggered three-year terms, with directors removable from office only for cause, so that not all members of our board of directors are elected at one time;
- only our board of directors has the right to fill a vacancy created by the expansion of our board of directors or the resignation, death or removal of a director, which prevents stockholders from being able to fill vacancies on our board of directors;
- only our chairman of our board of directors, our chief executive officer, our president or a majority of our board of directors are authorized to call a special meeting of stockholders;
- certain litigation against us can only be brought in Delaware;
- our restated certificate of incorporation authorizes the issuance of undesignated preferred stock, the terms of which may be established and shares of which may be issued without stockholder approval, and which may include rights superior to the rights of the holders of common stock;
- all stockholder actions must be taken at meetings of our stockholders, and may not be taken by written consent;
- our board of directors is expressly authorized to make, alter or repeal our bylaws; and
- advance notice requirements apply for stockholders to nominate candidates for elections to our board of directors or to bring matters that can be acted upon by stockholders at stockholder meetings.

These provisions could also discourage proxy contests and make it more difficult for you and other stockholders to elect directors of your choosing so as to cause us to take certain corporate actions you desire.

We are an "emerging growth company" as defined in the JOBS Act and cannot be certain if the reduced disclosure requirements applicable to emerging growth companies will make our common stock less attractive to investors.

We are an "emerging growth company" as defined in the JOBS Act, and we intend to take advantage of certain exemptions from various reporting requirements that are applicable to other public companies that are not "emerging growth companies" including certain reduced financial statement reporting obligations, reduced disclosure obligations about our executive compensation arrangements, exemptions from the requirement that we solicit non-binding advisory votes on executive compensation or golden parachute arrangements and exemption from the auditor's attestation requirements of Section 404(b) of the Sarbanes-Oxley Act. We may take advantage of these reporting exemptions until we are no longer an "emerging growth company." We will remain an "emerging growth company" until the earliest of (1) the last day of the fiscal year in which we have total annual gross revenue of $1 billion or more, (2) the last day of 2019, (3) the date on which we have issued more than $1 billion in nonconvertible debt during the previous three years or (4) the date on which we are deemed to be a large accelerated filer under the rules of the SEC.

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Because management has broad discretion as to the use of the net proceeds from this offering, you may not agree with how we use them, and such proceeds may not be applied successfully.

Our management will have considerable discretion over the use of proceeds from this offering. We currently intend to use the net proceeds from this offering for external research and development expenses associated with the development of our Cimzia, DRM04 and DRM01 product candidates, with the balance primarily used to fund internal research and development expenses associated with all of our product candidates, working capital, capital expenditures and other general corporate purposes. In addition, a portion of the net proceeds may also be used to acquire or in-license, as applicable, product candidates, technologies, compounds, other assets or complementary businesses. However, our management will have broad discretion in the application of the net proceeds from this offering and could spend the proceeds in ways that do not necessarily improve our operating results or enhance the value of our common stock, or that you otherwise do not agree with. You will be relying on the judgment of our management concerning these uses and you will not have the opportunity, as part of your investment decision, to assess whether the proceeds are being used appropriately. The failure of our management to apply these funds effectively could, among other things, result in unfavorable returns and uncertainty about our prospects, each of which could cause the price of our common stock to decline.

If you purchase shares of common stock sold in this offering, you will incur immediate and substantial dilution.

If you purchase shares of our common stock in this offering, you will experience substantial and immediate dilution in the pro forma net tangible book value per share after giving effect to this offering of $ per share as of March 31, 2015, at an assumed public offering price of $ per share, which is the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, because the price that you pay will be substantially greater than the pro forma net tangible book value per share of the common stock that you acquire. This dilution is due in large part to the fact that our earlier investors paid substantially less than the offering price when they purchased shares of our capital stock. You will experience additional dilution upon exercise of the outstanding stock options and other equity awards that may be granted under our equity incentive plans, and when we otherwise issue additional shares of our common stock. For more information, see "Dilution."

We have never paid dividends on our capital stock, and we do not anticipate paying any cash dividends in the foreseeable future.

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. In addition, the terms of our loan and security agreement currently restrict our ability to pay dividends. Consequently, stockholders must rely on sales of their common stock after price appreciation, which may never occur, as the only way to realize any future gains on their investment.

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SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus and the documents incorporated by reference herein contain forward-looking statements. All statements contained in this prospectus and the documents incorporated by reference herein other than statements of historical fact, including statements regarding our future consolidated results of operations and financial position, our business strategy and plans, market growth, and our objectives for future operations, are forward-looking statements. The words "believe," "may," "will," "estimate," "potentially," "continue," "anticipate," "intend," "expect," "could," "would," "project," "plan" and similar expressions are intended to identify forward-looking statements. We have based these forward-looking statements largely on our current expectations and projections about future events and trends that we believe may affect our consolidated financial condition, consolidated results of operations, business strategy, short-term and long-term business operations and objectives and financial needs. These forward-looking statements are subject to a number of risks, uncertainties and assumptions, including those described in the "Risk Factors" section. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this prospectus and the documents incorporated by reference herein may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

You should not rely upon forward-looking statements as predictions of future events. The events and circumstances reflected in the forward-looking statements may not be achieved or occur. Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance, or achievements. We undertake no obligation to update any of these forward-looking statements for any reason after the date of this prospectus or to conform these statements to actual results or revised expectations.

You should read this prospectus, the documents incorporated by reference herein, and the documents that we have filed with the SEC as exhibits to the registration statement of which this prospectus is a part with the understanding that our actual future results, levels of activity, performance and events and circumstances may be materially different from what we expect.

INDUSTRY AND MARKET DATA

Unless otherwise indicated, information contained in this prospectus and the documents incorporated by reference herein concerning our industry and the markets in which we operate, including our general expectations and market position, market opportunity and market size, is based on information from various sources, including independent industry publications. In presenting this information, we have also made assumptions based on such data and other similar sources, and on our knowledge of, and our experience to date in, the markets for our products. This information involves a number of assumptions and limitations, and you are cautioned not to give undue weight to such estimates. We believe that the information from these industry publications that is included in this prospectus and the documents incorporated by reference herein is reliable. The industry in which we operate is subject to a high degree of uncertainty and risk due to a variety of factors, including those described in "Risk Factors." These and other factors could cause results to differ materially from those expressed in the estimates made by the independent parties and by us.

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USE OF PROCEEDS

We estimate that the net proceeds from our sale of shares of our common stock in this offering, at an assumed public offering price of $ per share, which is the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us, will be approximately $ million. If the underwriters' option to purchase additional shares is exercised in full, we estimate that we will receive additional net proceeds of $ million. Each $1.00 increase (decrease) in the assumed public offering price of $ per share, which was the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) the net proceeds to us from this offering by approximately $ million, assuming that the assumed public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us.

As of June 30, 2015, we had $143.8 million in cash and cash equivalents and investments. We currently intend to use the net proceeds we receive from this offering, together with our existing cash and cash equivalents and investments, as follows:

- approximately $ million to fund external research and development expenses associated with the development of our Cimzia product candidate, net of development milestone payments we expect to receive from our partner UCB Pharma S.A.;
- approximately $ million to fund external research and development expenses associated with the development of our DRM04 product candidate;
- approximately $ million to fund external research and development expenses associated with the development of our DRM01 product candidate; and
- the balance used to fund internal research and development expenses associated with all of our product candidates, working capital, capital expenditures and other general corporate purposes.

Additionally, we may use a portion of the net proceeds from this offering to expand our current business by in-licensing or acquiring, as the case may be, commercial products, product candidates, technologies, compounds, other assets or complementary businesses, using cash or shares of our common stock. However, we have no current commitments or obligations to do so.

We believe that the net proceeds from this offering, together with our existing cash and cash equivalents and investments, will be sufficient to meet our anticipated cash requirements through 2017, including for the completion of our Phase 2b clinical trial for DRM01, our Phase 3 clinical program for DRM04 and our Phase 3 clinical program for Cimzia. This expected use of the net proceeds from this offering represents our intentions based upon our current plans and business conditions. We cannot specify with certainty all of the particular uses of the net proceeds that we will receive from this offering, or the amounts that we will actually spend on the uses set forth above. The amounts and timing of our actual expenditures will depend on numerous factors, including the ongoing status of and results from clinical trials and other studies, as well as any strategic collaborations that we may enter into with third parties for our product candidates, any in-licensing transactions or acquisitions, any unforeseen cash needs and the performance of our investments.

We will have broad discretion over the uses of the net proceeds of this offering and investors will be relying on the judgment of our management regarding the application of the proceeds. Pending these uses, we intend to invest the net proceeds in investment-grade, interest-bearing securities such as money market funds, certificates of deposit, commercial paper, repurchase agreements, corporate debt and guaranteed obligations of the U.S. government.

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PRICE RANGE OF COMMON STOCK

Our common stock has been publicly traded on The NASDAQ Global Select Market under the symbol "DERM" since October 3, 2014. Prior to that time, there was no public market for our common stock. The following table sets forth the high and low sale prices per share for our common stock on The NASDAQ Global Select Market for the periods indicated:

	High	Low
2014		
Fourth Quarter (beginning October 3, 2014)	$ 22.94	$ 12.68
2015		
First Quarter	$ 21.27	$ 14.57
Second Quarter	$ 18.01	$ 14.20
Third Quarter (through July 27, 2015)	$ 25.24	$ 17.50

On July 27, 2015, the last reported sale price of our common stock on The NASDAQ Global Select Market was $24.32 per share. As of June 30, 2015, we had approximately 38 holders of record of our common stock. This number does not include beneficial owners whose shares are held by nominees in street name.

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CAPITALIZATION

The following table sets forth our cash and cash equivalents and investments and capitalization as of March 31, 2015:

- on an actual basis; and
- on an as adjusted basis to reflect the issuance and sale by us of shares of our common stock in this offering assuming the underwriters' option to purchase additional shares is not exercised, at an assumed public offering price of $ per share, which was the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, after deducting estimated underwriting discounts and commissions and estimated offering expenses payable by us.

You should read this table together with our consolidated financial statements and related notes and the information under the captions "Selected Consolidated Financial Data" appearing in our 2014 Annual Report and "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing in our 2014 Annual Report, and our March 2015 Quarterly Report, which are incorporated by reference in this prospectus.

	As of March 31, 2015	
	Actual	As Adjusted(1)
	(in thousands, except share and per share data)	
	(unaudited)	
Cash and cash equivalents and investments	$ 158,144	$
Bank term loan, current and non-current	1,940	1,940
Stockholders' equity:		
Preferred stock, $0.001 par value per share; 10,000,000 shares authorized, actual and as adjusted; no shares issued and outstanding, actual and as adjusted		
Common stock, $0.001 par value per share; 500,000,000 shares authorized, actual and as adjusted; 24,670,911 shares issued and outstanding, actual; shares issued and outstanding, as adjusted	25	
Additional paid-in capital	237,550	
Accumulated other comprehensive loss	(32)	
Accumulated deficit	(96,684)	
Total stockholders' equity	140,859	
Total capitalization	$ 142,799	$

(1) Each $1.00 increase (decrease) in the assumed public offering price of $ per share, which was the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, would increase (decrease) each of cash and cash equivalents and investments, additional paid-in capital, total stockholders' equity and total capitalization by approximately $ million, assuming that the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. Each increase (decrease) of 1.0 million shares in the number of shares of common stock offered by us would increase (decrease) each of cash and cash equivalents and investments, additional paid-in capital, total stockholders' equity and total capitalization by approximately

$ million, assuming that the assumed public offering price remains the same, and after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. The as adjusted

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information discussed above is illustrative only and will be adjusted based on the actual public offering price and other terms of this offering determined at pricing.

The number of shares of common stock to be outstanding after this offering is based on 24,670,911 shares of common stock outstanding as of March 31, 2015 and excludes the following:

- 3,446,904 shares of our common stock issuable upon the exercise of outstanding options under our 2010 Equity Incentive Plan and 2014 Equity Incentive Plan as of March 31, 2015 with a weighted-average exercise price of $7.23 per share; and

- 2,140,459 shares of our common stock reserved for future issuance under our equity compensation plans, consisting of (1) 1,592,449 shares of common stock reserved for issuance under the 2014 Equity Incentive Plan as of March 31, 2015 and (2) 548,010 shares of common stock reserved for issuance under the 2014 Employee Stock Purchase Plan as of March 31, 2015.

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DILUTION

If you invest in our common stock, your ownership interest will be diluted to the extent of the difference between the public offering price per share of our common stock and the pro forma as adjusted net tangible book value per share of our common stock immediately after our public offering.

As of March 31, 2015, our net tangible book value was $136.6 million, or $5.54 per share of common stock. Net tangible book value per share represents the amount of our tangible assets less our liabilities divided by the total number of shares of our common stock outstanding.

Our as adjusted net tangible book value as of March 31, 2015 would be $ million, or $ per share of common stock. As adjusted net tangible book value per share reflects the sale by us of shares of our common stock in this offering, assuming the underwriters' option to purchase additional shares is not exercised, at an assumed public offering price of $ per share, which was the last reported sale price of our common stock on The NASDAQ Global Select Market on , 2015, after deducting the estimated underwriting discounts and commissions and estimated offering expenses payable by us. This represents an immediate increase in as adjusted net tangible book value of $ per share to existing stockholders and immediate dilution of $ per share to new investors purchasing shares in the offering.

The following table illustrates this per share dilution to new investors:

Assumed public offering price per share		$
Net tangible book value per share as of March 31, 2015, before giving effect to this offering	$ 5.54	
Increase in as adjusted net tangible book value per share attributable to new investors purchasing shares in this offering		

	BBB	5,851,739		
2,500	Qwest Corporation	7.375%	BBB	62,525
185,180	Qwest Corporation	7.000%	BBB	4,472,097
	Total Diversified Telecommunication Services			10,386,361
	Electric Utilities 0.8%			
247,600	Entergy Texas Inc.	7.875%	A	6,412,840
68,481	SCE Trust I	5.625%	Baa1	1,482,614
	Total Electric Utilities			7,895,454
	Food Products 0.9%			

310,000	CHS Inc.	7.875%	N/R	8,887,700
	Insurance 10.0%			
104,045	Aegon N.V.	8.000%	Baa1	2,900,775
378,752	Aegon N.V.	6.375%	Baa1	9,260,486
690,010	Arch Capital Group Limited	6.750%	BBB	17,146,749
273,900	Argo Group US Inc.	6.500%	BBB	5,836,809
54,020	Aspen Insurance Holdings Limited	7.250%	BBB	1,374,809
393,800	Aspen Insurance Holdings Limited	5.950%	BBB	9,490,580
425,908	Axis Capital Holdings Limited	6.875%	BBB	10,571,037
3,000	Delphi Financial Group, Inc., (12)	7.376%	BBB	72,094
165,000	Endurance Specialty Holdings Limited	7.500%	BBB	4,240,500
42,470	Hanover Insurance Group	6.350%	Ba1	918,626
138,124	Hartford Financial Services Group Inc.	7.875%	BB+	4,049,796
298,139	Maiden Holdings Limited	8.250%	BB	7,364,033
3,832	Maiden Holdings NA Limited	8.250%	BBB	94,420

JPC Nuveen Preferred Income Opportunities Fund
Portfolio of Investments (continued) **January 31, 2014** (Unaudited)

Shares	Description (1)	Coupon	Ratings (3)	Value
	Insurance (continued)			
268,201	Maiden Holdings NA Limited	8.000%	BBB	$ 6,621,883
187,000	Maiden Holdings NA Limited	7.750%	BBB	4,263,600
8,205	Prudential PLC	6.750%	A	206,930
509,015	Reinsurance Group of America Inc.	6.200%	BBB	12,893,350
8,800	Selective Insurance Group	5.875%	BBB+	182,688
	Total Insurance			97,489,165
	Marine 0.6%			
101,635	Costamare Inc., (2)	8.500%	N/R	2,530,712
63,671	Costamare Inc.	7.625%	N/R	1,473,984
9,890	International Shipholding Corporation	9.000%	N/R	989,099
18,300	Navios Maritime Holdings Inc., (2)	8.750%	N/R	441,579
	Total Marine			5,435,374
	Metals & Mining 0.0%			
10,489	Gamco Global Gold Natural Resources & Income Trust	5.000%	A1	211,353
	Multi-Utilities 0.7%			
230,584	Dominion Resources Inc.	8.375%	BBB	5,960,596
26,579	DTE Energy Company	6.500%	Baa1	657,830
	Total Multi-Utilities			6,618,426
	Oil, Gas & Consumable Fuels 1.2%			
16,500	Callon Petroleum Company	10.000%	N/R	787,380
19,100	Kayne Anderson MLP Trust	4.600%	AA	477,500
69,400	Miller Energy Resources Inc.	10.500%	N/A	1,658,660
265,205	Nustar Logistics Limited Partnership	7.625%	Ba2	6,961,631
79,700	Tsakos Energy Navigation Limited	8.875%	N/R	1,881,717
	Total Oil, Gas & Consumable Fuels			11,766,888
	Real Estate 18.0%			
199,300	AG Mortgage Investment Trust	8.000%	N/A	4,456,348
249,100		7.625%	N/A	5,729,300

	Annaly Capital Management			
149,500	Apollo Commercial Real Estate Finance	8.625%	N/A	3,746,470
249,100	Apollo Residential Mortgage Inc.	8.000%	N/A	5,676,989
70,546	Ashford Hospitality Trust Inc.	9.000%	N/A	1,834,901
136,421	Ashford Hospitality Trust Inc.	8.450%	N/R	3,418,710
33,100	Campus Crest Communities	8.000%	Ba1	827,500
150,000	Capstead Mortgage Corporation	7.500%	N/R	3,588,000
160,091	CBL & Associates Properties Inc.	7.375%	BB	3,853,390
186,579	Cedar Shopping Centers Inc., Series A	7.250%	N/A	4,293,183
208,314	Chesapeake Lodging Trust	7.750%	N/A	5,195,351
200	Colony Financial Inc.	8.500%	N/R	5,068
5,142	CommomWealth REIT	7.250%	Ba1	116,363
50,000	Coresite Realty Corporation	7.250%	N/A	1,159,000
94,564	CYS Investments Inc.	7.750%	N/A	2,047,311
96,474	CYS Investments Inc.	7.500%	N/R	2,016,307
270,925	DDR Corporation	6.500%	Baa3	6,082,266
16,200	Digital Realty Trust Inc.	7.000%	Baa3	376,326
50,940	Duke Realty Corporation, Series L	6.600%	Baa3	1,217,466
211,800	Dupont Fabros Technology	7.875%	Ba2	5,282,292
3,045	Dupont Fabros Technology	7.625%	Ba2	73,080
98,500	Dynex Capital Inc.	8.500%	N/A	2,387,640
249,600	First Potomac Realty Trust	7.750%	N/R	6,342,336
247,570	Hatteras Financial Corporation	7.625%	N/A	5,533,190
48,490	Health Care REIT, Inc.	6.500%	Baa3	1,146,789
88,850	Hersha Hospitality Trust	6.875%	N/R	2,035,554
63,750	Hospitality Properties Trust	7.125%	Baa3	1,535,100
178,580	Inland Real Estate Corporation	8.125%	N/R	4,589,506

Shares	Description (1)	Coupon	Ratings (3)	Value
	Real Estate (continued)			
239,102	Invesco Mortgage Capital Inc.	7.750%	N/A	$ 5,597,378
3,800	Kennedy-Wilson Inc.	7.750%	BB	95,760
34,351	Kimco Realty Corporation,	6.900%	Baa2	864,271
20,700	Kite Realty Group Trust	8.250%	N/R	525,987
165,300	MFA Financial Inc.	8.000%	N/A	4,304,412
37,500	MFA Financial Inc.	7.500%	N/A	817,500
73,051	National Retail Properties Inc.	6.625%	Baa2	1,719,621
136,958	New York Mortgage Trust Inc.	7.750%	N/R	2,851,466
178,500	Northstar Realty Finance Corporation	8.875%	N/A	4,507,125
329,164	Northstar Realty Finance Corporation	8.250%	N/R	7,942,727
200,000	Penn Real Estate Investment Trust	8.250%	N/A	5,040,000
72,400	Penn Real Estate Investment Trust	7.375%	N/A	1,744,840
22,464	Prologis Inc., (12)	8.540%	BB+	1,279,044
19,800	PS Business Parks, Inc.	6.875%	Baa2	488,862
59,960	PS Business Parks, Inc.	6.450%	Baa2	1,361,092
154,353	Rait Financial Trust	7.750%	N/R	3,554,750
222,360	Realty Income Corporation	6.625%	Baa2	5,438,926
217,000	Regency Centers Corporation	6.625%	Baa3	5,123,370
400,000	Senior Housing Properties Trust	5.625%	BBB	7,884,000
157,149	Strategic Hotel Capital Inc., Series B	8.250%	N/R	3,798,291
191,651	Strategic Hotel Capital Inc., Series C	8.250%	N/R	4,653,286
149,300	Urstadt Biddle Properties	7.125%	N/A	3,493,620
300,000	Vornado Realty LP	7.875%	BBB	7,845,000
8,248	Weingarten Realty Trust	6.500%	Baa3	195,890
236,425	Winthrop Realty Trust Inc.	9.250%	N/R	6,281,812
148,900	Winthrop Realty Trust Inc.	7.750%	N/A	3,771,637
	Total Real Estate			175,746,403

	Thrifts & Mortgage Finance 0.1%				
39,002	Everbank Financial Corporation	6.750%		N/A	898,216
30,000	Federal Agricultural Mortgage Corporation	5.875%		Aaa	615,000
	Total Thrifts & Mortgage Finance				1,513,216
	U.S. Agency 6.3%				
168,650	AgriBank FCB, (12)	6.875%		A	16,954,604
157,375	Cobank Agricultural Credit Bank, 144A, (12)	6.250%		A	15,226,030
38,725	Cobank Agricultural Credit Bank, (12)	6.125%		A	3,274,682
259,800	Farm Credit Bank of Texas, 144A, (12)	6.750%		Baa1	26,467,124
	Total U.S. Agency				61,922,440
	Total $25 Par (or similar) Retail Preferred (cost $670,491,280)				665,320,727
Principal Amount (000)	**Description (1)**	**Coupon**	**Maturity**	**Ratings (3)**	**Value**
	CORPORATE BONDS 4.0% (2.8% of Total Investments)				
	Capital Markets 0.0%				
$ 175	Walter Investment Management Corporation , First Lien Term Loan, 144A	7.875%	12/15/21	B	$ 177,188
	Commercial Services & Supplies 0.7%				
2,900	Iron Mountain Inc.	5.750%	8/15/24	B1	2,711,500
550	R.R. Donnelley & Sons Company	8.250%	3/15/19	BB	636,625
1,900	R.R. Donnelley & Sons Company	7.875%	3/15/21	BB	2,109,000
650	R.R. Donnelley & Sons Company	6.500%	11/15/23	BB	653,250
6,000	Total Commercial Services & Supplies				6,110,375
	Diversified Financial Services 1.0%				
1,475	Fly Leasing Limited	6.750%	12/15/20	BB	1,493,438
3,900	Icahn Enterprises Finance	6.000%	8/01/20	BBB	4,021,875
4,100	Jefferies Finance LLC Corporation, 144A	7.375%	4/01/20	B+	4,294,750
9,475	Total Diversified Financial Services				9,810,063

JPC Nuveen Preferred Income Opportunities Fund
Portfolio of Investments (continued) **January 31, 2014** (Unaudited)

Principal Amount (000)	Description (1)	Coupon	Maturity	Ratings (3)	Value
	Diversified Telecommunication Services 1.3%				
$ 12,675	Frontier Communications Corporation	7.125%	1/15/23	Ba2	$ 12,516,563
	Oil, Gas & Consumable Fuels 1.0%				
2,197	Breitburn Energy Partners LP	7.875%	4/15/22	B	2,337,059
4,853	DCP Midstream LLC, 144A	5.850%	5/21/43	Baa3	4,489,024
2,935	Vanguard Natural Resources Finance	7.875%	4/01/20	B	3,103,762
9,985	Total Oil, Gas & Consumable Fuels				9,929,845
$ 38,310	Total Corporate Bonds (cost $38,003,303)				38,544,034

Principal Amount (000)/ Shares	Description (1)	Coupon	Maturity	Ratings (3)	Value
	$1,000 PAR (OR SIMILAR) INSTITUTIONAL PREFERRED 60.8% (43.3% of Total Investments)				
	Capital Markets 0.8%				
1,500	Macquarie PMI LLC	8.375%	N/A (7)	BB+	$ 1,597,500
4,933	Credit Suisse Guernsey	7.875%	2/24/41	BBB	5,300,015
1,500	Deutsche Bank Capital Funding Trust V, 144A	4.901%	N/A (7)	BBB	1,440,000
	Total Capital Markets				8,337,515
	Commercial Banks 15.8%				
19,361	Abbey National Capital Trust I	8.963%	N/A (7)	BBB	24,201,250
4,430	Barclays PLC	8.250%	N/A (7)	BB+	4,564,229
3,575	Barclays Bank PLC, 144A	10.180%	6/12/21	A	4,745,705
11,275	BNP Paribas, 144A	7.195%	N/A (7)	BBB	11,979,688
3,290	Commerzbank AG, 144A	8.125%	9/19/23	BB+	3,610,775
1,840	Credit Agricole SA	7.875%	N/A (7)	BB+	1,867,600
4,500	First Empire Capital Trust I, (6)	8.234%	2/01/27	BBB	4,564,467

1,000	HSBC Bank PLC	0.688%	12/19/35	BBB+	712,159
500	HSBC Bank PLC	0.600%	6/11/37	BBB+	337,000
4,654	HSBC Capital Funding LP, Debt	10.176%	N/A (7)	BBB+	6,678,490
5,000	PNC Financial Services Inc., (6)	6.750%	N/A (7)	BBB	5,262,500
22,113	Rabobank Nederland, 144A	11.000%	N/A (7)	A	29,078,595
4,883	Royal Bank of Scotland Group PLC	7.648%	N/A (7)	BB	5,157,669
6,648	Societe Generale	8.750%	N/A (7)	BBB	6,998,682
5,010	Societe Generale, 144A	7.875%	N/A (7)	BB+	5,085,150
570	Standard Chartered PLC, 144A	7.014%	N/A (7)	BBB+	601,350
28,371	Wells Fargo & Company, (6)	7.980%	N/A (7)	BBB+	31,988,303
6,095	Zions Bancorporation	7.200%	N/A (7)	BB	6,186,425
	Total Commercial Banks				153,620,037
	Diversified Financial Services 13.4%				
16,400	Agstar Financial Services Inc., 144A	6.750%	N/A (7)	BB	16,277,000
9,625	Bank of America Corporation	8.000%	N/A (7)	BB+	10,648,426
1,850	Bank of America Corporation	8.125%	N/A (7)	BB+	2,058,310
1,000	Citigroup Inc.	8.400%	N/A (7)	BB+	1,105,500
4,965	Credit Suisse Group AG	7.500%	N/A (7)	BB+	5,225,663
9,500	General Electric Capital Corporation, (6)	6.250%	N/A (7)	AA	9,903,750
33,205	General Electric Capital Corporation, (5), (6)	7.125%	N/A (7)	AA	37,314,119
3,240	ING US Inc.	5.650%	5/15/53	Ba1	3,110,400
22,402	JPMorgan Chase & Company, (6)	7.900%	N/A (7)	BBB	24,781,092
12,110	JPMorgan Chase & Company	6.750%	N/A (7)	BBB	12,273,485
1,400	JPMorgan Chase & Company	6.000%	N/A (7)	BBB	1,347,500
7,250	JPMorgan Chase & Company	5.150%	N/A (7)	BBB	6,588,438
	Total Diversified Financial Services				130,633,683
	Electric Utilities 0.2%				
1,600	Electricite de France, 144A	5.250%	N/A (7)	A3	1,546,000

Principal Amount (000)/ Shares	Description (1)	Coupon	Maturity	Ratings (3)	Value
	Insurance 28.6%				
1,183	AG2R La Mondiale Vie	7.625%	N/A (7)	BBB	$ 1,252,996
4,800	AIG Life Holdings Inc., (6)	8.500%	7/01/30	BBB	6,115,291
5,000	Allstate Corporation, (6)	6.500%	5/15/57	Baa1	5,212,500
2,455	Allstate Corporation, (6)	5.750%	8/15/53	Baa1	2,486,915
3,500	Aquarius & Investments PLC fbo SwissRe	8.250%	N/A (7)	N/R	3,797,500
7,000	Aviva PLC, Reg S	8.250%	N/A (7)	BBB	7,743,750
3,675	AXA SA	8.600%	12/15/30	A3	4,604,984
28,039	Catlin Insurance Company Limited	7.249%	N/A (7)	BBB+	28,950,268
6,815	Cloverie PLC Zurich Insurance	8.250%	N/A (7)	A	7,871,325
2,300	CNP Assurances	7.500%	N/A (7)	BBB+	2,481,581
1,750	Dai-Ichi Mutual Life, 144A	7.250%	N/A (7)	A3	2,034,375
32,040	Financial Security Assurance Holdings, 144A, (6)	6.400%	12/15/66	BBB	25,151,400
1,755	Friends Life Group PLC	7.875%	N/A (7)	BBB+	1,913,515
20,335	Glen Meadows Pass Through Trust	6.505%	8/15/67	BB+	20,131,650
1,030	Great West Life & Annuity Insurance Capital LP II, 144A	7.153%	5/16/46	A	1,060,900
12,000	Liberty Mutual Group, 144A	7.800%	3/15/37	Baa3	12,900,000
2,665	Lincoln National Corporation, (6)	7.000%	5/17/66	BBB	2,718,300
1,750	Lincoln National Corporation, (6)	6.050%	4/20/67	BBB	1,723,750
9,335	MetLife Capital Trust IV, 144A	7.875%	2/15/37	BBB	10,758,588
14,660	MetLife Capital Trust X, 144A	9.250%	4/08/38	BBB	18,838,100
13,770	Nationwide Financial Services	6.750%	5/15/37	Baa2	13,546,238
1,150	Nationwide Financial Services Capital Trust	7.899%	3/01/37	Baa2	1,273,890

6,855	Provident Financing Trust I	7.405%	3/15/38	Baa3	7,523,363
4,415	Prudential Financial Inc., (6)	5.875%	9/15/42	BBB+	4,525,375
1,600	Prudential PLC	6.500%	N/A (7)	A	1,606,000
5,169	Prudential PLC	7.750%	N/A (7)	A	5,582,520
4,600	QBE Capital Funding Trust II, 144A	6.797%	N/A (7)	BBB	4,542,500
14,535	QBE Capital Funding Trust II, 144A	7.250%	5/24/41	BBB	15,007,388
7,724	Swiss Re Capital I, 144A	6.854%	N/A (7)	A	8,264,680
18,168	Symetra Financial Corporation, 144A	8.300%	10/15/37	BBB	19,076,400
17,485	White Mountains Insurance Group	7.506%	N/A (7)	BB+	18,153,801
8,250	XL Capital Ltd	6.500%	N/A (7)	BBB	8,085,000
4,000	ZFS Finance USA Trust II 144A, (6)	6.450%	12/15/65	A	4,280,000
	Total Insurance				279,214,843
	Machinery 0.4%				
3,360	Stanley Black & Decker Inc.	5.750%	12/15/53	BBB+	3,570,000
	Real Estate 1.4%				
10,165	Sovereign Real Estate Investment Trust, 144A	12.000%	N/A (7)	Ba1	13,550,860
	U.S. Agency 0.2%				
1,700	Farm Credit Bank of Texas	10.000%	N/A (7)	Baa1	2,026,716
	Total $1,000 Par (or similar) Institutional Preferred (cost $556,863,415)				592,499,654

JPC Nuveen Preferred Income Opportunities Fund
Portfolio of Investments (continued) **January 31, 2014** (Unaudited)

Shares	Description (1), (13)	Value
	INVESTMENT COMPANIES 0.7% (0.5% of Total Investments)	
29,800	Cushing® Royalty and Income Fund	$ 533,420
1,152,656	MFS Intermediate Income Trust	6,097,550
7,385	Oxford Lane Capital Corporation	130,235
	Total Investment Companies (cost $6,693,421)	6,761,205
	Total Long-Term Investments (cost $1,313,776,811)	**1,345,935,939**

Principal Amount (000)	Description (1)	Coupon	Maturity	Value
	SHORT-TERM INVESTMENTS 2.3% (1.7% of Total Investments)			
$ 22,741	Repurchase Agreement with Fixed Income Clearing Corporation, dated 1/31/14, repurchase price $22,741,190, collateralized by $22,855,000 U.S. Treasury Notes, 2.125%, due 8/31/20, value $23,197,825	0.000%	2/03/14	$ 22,741,190
	Total Short-Term Investments (cost $22,741,190)			**22,741,190**
	Total Investments (cost $1,336,518,001) 140.4%			**1,368,677,129**
	Borrowings (41.3)% (8), (9)			**(402,500,000)**
	Other Assets Less Liabilities 0.9% (10)			**8,662,716**
	Net Assets Applicable to Common Shares 100%			**$ 974,839,845**

Investments in Derivatives as of January 31, 2014

Interest Rate Swaps outstanding:

Counterparty	Notional Amount	Fund Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate (Annualized)	Fixed Rate Payment Frequency	Effective Date (11)	Termination Date	Unrealized Appreciation (Depreciation) (10)
JPMorgan	$ 69,725,000	Receive	1-Month USD-LIBOR	1.193%	Monthly	3/21/11	3/21/14	$ (120,266)
JPMorgan	114,296,000	Receive	1-Month USD-LIBOR	1.255	Monthly	12/01/11	12/01/18	2,276,236
JPMorgan	114,296,000	Receive		1.673	Monthly	12/01/11	12/01/20	4,719,246

		1-Month USD-LIBOR					
Morgan Stanley	69,725,000	Receive 1-Month USD-LIBOR	2.064	Monthly	3/21/13	3/21/16	(2,472,560)
	$368,042,000						$ 4,402,656

For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications into sectors for reporting ease.

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to common shares unless otherwise noted.

(2) Non-income producing; issuer has not declared a dividend within the past twelve months.

(3) Ratings: Using the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

(4) For fair value measurement disclosure purposes, Common Stock classified as Level 2. See Notes to Financial Statements, Note 2 Investment Valuation and Fair Value Measurements for more information.

(5) Investment, or portion of investment, has been pledged to collateralize the net payment obligations for investments in derivatives.

(6) Investment, or portion of investment, is out on loan as described in Note 8 Borrowing Arrangements. The total value of investments out on loan as of the end of the reporting period was $75,452,300.

(7) Perpetual security. Maturity date is not applicable.

(8) The Fund may pledge up to 100% of its eligible investments in the Portfolio of Investments as collateral for Borrowings. As of the end of the reporting period, investments with a value of $870,773,291 have been pledged as collateral for Borrowings.

(9) Borrowings as a percentage of Total Investments is 29.4%.

(10) Other Assets Less Liabilities includes the Unrealized Appreciation (Depreciation) of derivative instruments as listed within Investments in Derivatives as of the end of the reporting period.

(11) Effective date represents the date on which both the Fund and Counterparty commence interest payment accruals on each contract.

(12) For fair value measurement disclosure purposes, $25 Par (or similar) Retail Preferred classified as Level 2. See Notes to Financial Statements, Note 2 Investment Valuation and Fair Value Measurements for more information.

(13) A copy of the most recent financial statements for the investment companies in which the Fund invests can be obtained directly from the Securities and Exchange Commission on its website at http://www.sec.gov.

N/A Not applicable.

144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those

transactions with qualified institutional buyers.

ADR American Depositary Receipt.

CORTS Corporate Backed Trust Securities.

PPLUS PreferredPlus Trust.

Reg S Regulation S allows U.S. companies to sell securities to persons or entities located outside of the United States without registering those securities with the Securities and Exchange Commission. Specifically, Regulation S provides a safe harbor from the registration requirements of the Securities Act for the offers and sales of securities by both foreign and domestic issuers that are made outside the United States.

REIT Real Estate Investment Trust.

WI/DD Investment, or portion of investment, purchased on a when-issued or delayed delivery basis.

USD-LIBOR United States Dollar London Inter-Bank Offered Rate.

See accompanying notes to financial statements.

JPI

Nuveen Preferred and Income Term Fund

Portfolio of Investments January 31, 2014 (Unaudited)

Shares	Description (1)	Coupon	Ratings (2)	Value
	LONG-TERM INVESTMENTS 138.5% (99.1% of Total Investments)			
	$25 PAR (OR SIMILAR) RETAIL PREFERRED 39.6% (28.3% of Total Investments)			
	Capital Markets 1.1%			
16,894	Deutsche Bank Capital Funding Trust VIII	6.375%	BBB	$ 419,140
242,100	Goldman Sachs Group, Inc.	5.500%	BB+	5,597,352
7,000	Morgan Stanley	6.875%	BB+	177,940
	Total Capital Markets			6,194,432
	Commercial Banks 6.7%			
80,500	City National Corporation	6.750%	BBB	2,129,225
113,600	Fifth Third Bancorp., (3)	6.625%	BBB	2,896,800
525,200	Morgan Stanley	7.125%	BB+	13,686,712
125,000	PNC Financial Services	6.125%	BBB	3,185,000
68,553	Private Bancorp Incorporated	7.125%	N/A	1,726,165
87,100	Regions Financial Corporation	6.375%	BB	2,030,301
153,800	Texas Capital Bancshares Inc.	6.500%	BB	3,577,388
38,800	U.S. Bancorp.	6.500%	BBB+	1,053,420
101,900	Wells Fargo & Company	5.850%	BBB+	2,460,885
28,900	Wells Fargo & Company	6.625%	BBB+	760,359
145,900	Zions Bancorporation	6.300%	BB	3,535,157
	Total Commercial Banks			37,041,412
	Communications Equipment 0.3%			
62,000	Verizon Communications Inc., WI/DD, (3), (4)	5.900%	A	1,569,840
	Consumer Finance 0.6%			
149,800	Discover Financial Services	6.500%	BB	3,577,224
	Diversified Financial Services 8.4%			
487,466	Citigroup Inc.	7.125%	BB+	12,698,489
242,700	Citigroup Inc., (3)	6.875%	BB+	6,237,390
15,100	Countrywide Capital Trust III	7.000%	BB+	379,161
651,000	ING Groep N.V.	7.375%	BBB	16,528,890
231,273	ING Groep N.V.	7.200%	BBB	5,874,334

160,268	ING Groep N.V.	7.050%	BBB	4,049,972
40,000	ING Groep N.V.	6.375%	BBB	971,200
	Total Diversified Financial Services			46,739,436
	Food Products 1.8%			
340,000	CHS Inc.	7.875%	N/R	9,747,800
	Insurance 8.6%			
15,000	Aegon N.V.	8.000%	Baa1	418,200
100,000	Aegon N.V.	6.500%	Baa1	2,439,000
43,000	Arch Capital Group Limited	6.750%	BBB	1,068,550
59,200	Aspen Insurance Holdings Limited	7.250%	BBB	1,506,640
432,500	Aspen Insurance Holdings Limited	5.950%	BBB	10,423,250
177,623	Axis Capital Holdings Limited	6.875%	BBB	4,408,603
3,000	Delphi Financial Group, Inc., (4)	7.376%	BBB	72,094
299,000	Endurance Specialty Holdings Limited	7.500%	BBB	7,684,300
147,600	Hartford Financial Services Group Inc.	7.875%	BB+	4,327,632
398,546	Maiden Holdings Limited	8.250%	BB	9,844,086
205,000	Reinsurance Group of America Inc.	6.200%	BBB	5,192,650
	Total Insurance			47,385,005

Shares	Description (1)	Coupon	Maturity	Ratings (2)	Value
	Oil, Gas & Consumable Fuels 0.9%				
198,600	Nustar Logistics Limited Partnership	7.625%		Ba2	$ 5,213,250
	U.S. Agency 11.2%				
138,200	AgriBank FCB, (4)	6.875%		A	13,893,426
100,000	Cobank Agricultural Credit Bank, (4)	11.000%		A	5,225,000
179,800	Cobank Agricultural Credit Bank, 144A, (4), (5)	6.250%		A	17,395,650
248,400	Farm Credit Bank of Texas, 144A, (4), (5)	6.750%		Baa1	25,305,750
	Total U.S. Agency				61,819,826
	Total $25 Par (or similar) Retail Preferred (cost $220,745,952)				219,288,225

Principal Amount (000)	Description (1)	Coupon	Maturity	Ratings (2)	Value
	CORPORATE BONDS 1.2% (0.8% of Total Investments)				
	Insurance 1.2%				
$ 4,430	Nationwide Mutual Insurance Company, 144A, (5)	9.375%	8/15/39	A	$ 6,452,260
$ 4,430	Total Corporate Bonds (cost $6,031,087)				6,452,260

Principal Amount (000)/ Shares	Description (1)	Coupon	Maturity	Ratings (2)	Value
	$1,000 PAR (OR SIMILAR) INSTITUTIONAL PREFERRED 97.7% (70.0% of Total Investments)				
	Capital Markets 1.7%				
5,309	Credit Suisse Guernsey, Reg S	7.875%	2/24/41	BBB	$ 5,703,990
1,500	Deutsche Bank Capital Funding Trust V, 144A	4.901%	N/A (6)	BBB	1,440,000
1,972	Macquarie PMI LLC	8.375%	N/A (6)	BB+	2,100,180
	Total Capital Markets				9,244,170
	Commercial Banks 28.6%				
4,910	Abbey National Capital Trust I	8.963%	N/A (6)	BBB	6,137,500
14,310	Banco Santander Finance	10.500%	N/A (6)	BB	14,927,119
4,760	Barclays PLC	8.250%	3/15/64	BB+	4,904,228
4,000		10.180%	6/12/21	A	5,309,880

	Barclays Bank PLC, 144A				
12,325	BNP Paribas, 144A	7.195%	N/A (6)	BBB	13,095,313
3,525	Commerzbank AG, 144A	8.125%	9/19/23	BB+	3,868,688
1,980	Credit Agricole SA	7.875%	N/A (6)	BB+	2,009,700
8,031	HSBC Capital Funding LP, Debt, 144A	10.176%	N/A (6)	BBB+	11,524,485
29,403	Rabobank Nederland, 144A	11.000%	N/A (6)	A	38,664,284
5,473	Royal Bank of Scotland Group PLC	7.648%	N/A (6)	BB	5,780,856
7,162	Societe Generale, Reg S	8.750%	N/A (6)	BBB	7,539,796
5,405	Societe Generale, 144A	7.875%	N/A (6)	BB+	5,486,075
30,910	Wells Fargo & Company, (5)	7.980%	N/A (6)	BBB+	34,851,024
4,350	Zions Bancorporation	7.200%	N/A (6)	BB	4,415,250
	Total Commercial Banks				158,514,198
	Diversified Financial Services	**20.7%**			
15,700	Agstar Financial Services Inc., 144A, (5)	6.750%	N/A (6)	BB	15,582,250
17,505	Bank of America Corporation	8.000%	N/A (6)	BB+	19,366,307
2,000	Bank of America Corporation	8.125%	N/A (6)	BB+	2,225,200
5,345	Credit Suisse Group AG	7.500%	N/A (6)	BB+	5,625,613
27,285	General Electric Capital Corporation, (5)	7.125%	N/A (6)	AA	30,661,518
3,025	ING US Inc.	5.650%	5/15/53	Ba1	2,904,000
24,670	JPMorgan Chase & Company, (5)	7.900%	N/A (6)	BBB	27,289,954
9,610	JPMorgan Chase & Company	6.750%	N/A (6)	BBB	9,739,735
1,295	JPMorgan Chase & Company, (5)	6.000%	N/A (6)	BBB	1,246,438
	Total Diversified Financial Services				114,641,015

JPI Nuveen Preferred and Income Term Fund
Portfolio of Investments (continued) **January 31, 2014** (Unaudited)

Principal Amount (000)/ Shares	Description (1)	Coupon	Maturity	Ratings (2)	Value
	Electric Utilities 0.3%				
2,000	Electricite de France, 144A	5.250%	N/A (6)	A3	$ 1,932,500
	Insurance 42.2%				
1,309	AG2R La Mondiale Vie, Reg S	7.625%	N/A (6)	BBB	1,386,452
7,781	AIG Life Holdings Inc., (5)	8.500%	7/01/30	BBB	9,913,142
1,485	Allstate Corporation, (5)	5.750%	8/15/53	Baa1	1,504,305
3,500	Aquarius & Investments PLC fbo SwissRe	8.250%	N/A (6)	N/R	3,797,500
18,740	Aviva PLC, Reg S	8.250%	N/A (6)	BBB	20,731,125
3,945	AXA SA	8.600%	12/15/30	A3	4,943,310
32,395	Catlin Insurance Company Limited, 144A	7.249%	N/A (6)	BBB+	33,447,837
2,640	Cloverie PLC Zurich Insurance, Reg S	8.250%	N/A (6)	A	3,049,200
2,500	CNP Assurances	7.500%	N/A (6)	BBB+	2,697,371
1,900	Dai-Ichi Mutual Life, 144A	7.250%	N/A (6)	A3	2,208,750
36,660	Financial Security Assurance Holdings, 144A, (5)	6.400%	12/15/66	BBB	28,778,100
2,424	Friends Life Group PLC, Reg S	7.875%	N/A (6)	BBB+	2,642,941
20,955	Glen Meadows Pass Through Trust, 144A, (5)	6.505%	2/12/67	BB+	20,745,450
1,120	Great West Life & Annuity Insurance Capital LP II, 144A, (5)	7.153%	5/16/46	A	1,153,600
780	Lincoln National Corporation, (5)	7.000%	5/17/66	BBB	795,600
15,815	MetLife Capital Trust X, 144A, (5)	9.250%	4/08/68	BBB	20,322,275
7,703	Provident Financing Trust I	7.405%	3/15/38	Baa3	8,454,043
3,325		5.875%	9/15/42	BBB+	3,408,125

	Prudential Financial Inc., (5)				
5,000	Prudential PLC	7.750%	N/A (6)	A	5,400,000
20,925	QBE Capital Funding Trust II, 144A	7.250%	5/24/41	BBB	21,605,063
28,226	Symetra Financial Corporation, 144A, (5)	8.300%	10/15/37	BBB	29,637,299
6,830	White Mountain Re Group, 144A	7.506%	N/A (6)	BB+	7,091,248
	Total Insurance				233,712,736
	Machinery 0.7%				
3,615	Stanley Black & Decker Inc., (5)	5.750%	12/15/53	BBB+	3,840,938
	Real Estate 3.4%				
13,998	Sovereign Real Estate Investment Trust, 144A	12.000%	N/A (6)	Ba1	18,660,594
	U.S. Agency 0.1%				
502	Farm Credit Bank of Texas	10.000%	N/A (6)	Baa1	598,478
	Total $1,000 Par (or similar) Institutional Preferred (cost $526,027,785)				541,144,629
	Total Long-Term Investments (cost $752,804,824)				**766,885,114**
Principal Amount (000)	**Description (1)**	**Coupon**	**Maturity**		**Value**
	SHORT-TERM INVESTMENTS 1.2% (0.9% of Total Investments)				
$ 6,797	Repurchase Agreement with Fixed Income Clearing Corporation, dated 1/31/14, repurchase price $6,796,665, collateralized by $6,660,000 U.S. Treasury Notes, 2.625%, due 11/15/20, value $6,935,491	0.000%	2/03/14		$ 6,796,665
	Total Short-Term Investments (cost $6,796,665)				**6,796,665**
	Total Investments (cost $759,601,489) 139.7%				**773,681,779**
	Borrowings (40.6)% (7), (8)				**(225,000,000)**
	Other Assets Less Liabilities 0.9% (9)				**5,079,078**
	Net Assets Applicable to Common Shares 100%				**$ 553,760,857**

Investments in Derivatives as of January 31, 2014

Interest Rate Swaps outstanding:

Counterparty	Notional Amount	Fund Pay/Receive Floating Rate	Floating Rate Index	Fixed Rate (Annualized)	Fixed Rate Payment Frequency	Effective Date (10)	Termination Date	Unrealized Appreciation (Depreciation) (9)
JPMorgan	$ 84,375,000	Receive	1-Month USD-LIBOR	1.498%	Monthly	12/01/11	12/01/18	$ 878,194
JPMorgan	84,375,000	Receive	1-Month USD-LIBOR	1.995	Monthly	12/01/11	12/01/20	1,927,811
	$168,750,000							$ 2,806,005

For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications into sectors for reporting ease.

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to common shares unless otherwise noted.

(2) Ratings: Using the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

(3) Non-income producing; issuer has not declared a dividend within the past twelve months.

(4) For fair value measurement disclosure purposes, $25 Par (or similar) Retail Preferred classified as Level 2. See Notes to Financial Statements, Note 2 Investment Valuation and Fair Value Measurements for more information.

(5) Investment, or portion of investment, is out on loan as described in Note 8 Borrowing Arrangements. The total value of investments out on loan as of the end of the reporting period was $175,206,500.

(6) Perpetual security. Maturity date is not applicable.

(7) The Fund may pledge up to 100% of its eligible investments in the Portfolio of Investments as collateral for Borrowings. As of the end of the reporting period, investments with a value of $558,596,196 have been pledged as collateral for Borrowings.

(8) Borrowings as a percentage of Total Investments is 29.1%.

(9) Other Assets Less Liabilities includes the Unrealized Appreciation (Depreciation) of derivative instruments as listed within Investments in Derivatives as of the end of the reporting period.

(10) Effective date represents the date on which both the Fund and Counterparty commence interest payment accruals on each contract.

N/A Not applicable.

WI/DD Investment, or portion of investment, purchased on a when-issued or delayed delivery basis.

144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.

Reg S Regulation S allows U.S. companies to sell securities to persons or entities located outside of the United States without registering those securities with the Securities and Exchange Commission. Specifically, Regulation S provides a safe harbor from the registration requirements of the Securities Act for the offers and sales of securities by both foreign and domestic issuers that are made outside the United States.

USD-LIBOR United States Dollar London Inter-Bank Offered Rate.

See accompanying notes to financial statements.

JPW

Nuveen Flexible Investment Income Fund

Portfolio of Investments January 31, 2014 (Unaudited)

Shares	Description (1)	Value
	LONG-TERM INVESTMENTS 140.3% (98.7% of Total Investments)	
	COMMON STOCKS 18.2% (12.8% of Total Investments)	
	Automobiles 0.8%	
35,000	Ford Motor Company	$ 523,600
	Capital Markets 5.3%	
55,800	Ares Capital Corporation	988,218
7,800	Arlington Asset Investment Corporation	204,750
14,800	FBR Capital Markets Corporation, (2)	359,048
69,028	Medley Capital Corporation	951,896
64,800	TCP Capital Corporation	1,122,336
	Total Capital Markets	3,626,248
	Commercial Banks 0.8%	
12,000	Wells Fargo & Company	544,080
	Communications Equipment 0.8%	
44,200	Ericsson LM Telefonaktiebolaget	543,218
	Diversified Financial Services 0.7%	
10,100	Citigroup Inc.	479,043
	Diversified Telecommunication Services 0.7%	
17,300	CenturyLink Inc.	499,278
	Energy Equipment & Services 0.8%	
9,700	Baker Hughes Incorporated	549,408
	Food & Staples Retailing 0.7%	
55,600	Metro AG, (4)	458,722
	Food Products 0.8%	
69,600	Orkla ASA	545,664
	Hotels, Restaurants & Leisure 0.8%	
16,700	Norwegian Cruise Line Holdings Limited, (2)	584,834
	Insurance 0.7%	
10,600	American International Group, Inc.	508,376
	Life Sciences Tools & Services 0.8%	
4,400	Bio-Rad Laboratories Inc., (2)	559,328
	Machinery 0.8%	
13,000	Woodward Governor Company	557,050

	Oil, Gas & Consumable Fuels 2.1%	
22,600	Energy Transfer Equity LP	942,872
9,200	Tesoro Corporation	473,984
	Total Oil, Gas & Consumable Fuels	1,416,856
	Pharmaceuticals 0.9%	
13,400	Teva Pharmaceutical Industries Limited, Sponsored ADR	598,042

Shares	Description (1)			Value
	Semiconductors & Equipment 0.7%			
21,900	Microsemi Corporation, (2)			$ 513,336
	Total Common Stocks (cost $12,437,038)			12,507,083
Shares	**Description (1)**	**Coupon**	**Ratings (3)**	**Value**
	CONVERTIBLE PREFERRED SECURITIES 0.4% (0.3% of Total Investments)			
	Real Estate 0.4%			
12,100	American Homes 4 Rent, (2)	5.000%	N/R	$ 297,055
	Total Convertible Preferred Securities (cost $302,498)			297,055
Shares	**Description (1)**	**Coupon**	**Ratings (3)**	**Value**
	$25 PAR (OR SIMILAR) RETAIL PREFERRED 99.4% (69.9% of Total Investments)			
	Capital Markets 14.4%			
22,259	Affiliated Managers Group Inc.	6.375%	BBB	$ 528,874
29,640	Allied Capital Corporation	6.875%	BBB	713,731
23,400	Apollo Investment Corporation	6.875%	BBB	535,158
14,844	Apollo Investment Corporation	6.625%	BBB	333,990
14,170	Ares Capital Corporation	7.000%	BBB	368,420
37,872	BGC Partners Inc.	8.125%	BBB	996,034
39,444	Fifth Street Finance Corporation	6.125%	BBB	891,434
2,100	Fifth Street Finance Corporation	5.875%	BBB	47,880
15,212	Hercules Technology Growth Capital Incorporated	7.000%	N/R	392,028
15,769	Hercules Technology Growth Capital Incorporated	7.000%	N/A	405,894
3,300	JMP Group Inc., (8)	7.250%	N/R	82,500
28,076	Ladenburg Thalmann Financial Services Inc.	8.000%	N/R	645,748
2,355	Medley Capital Corporation	6.125%	N/R	55,743
43,543	MVC Capital Incorporated	7.250%	N/A	1,101,202
15,255	Oxford Lane Capital Corporation	7.500%	N/R	356,052
15,300	Prosepect Capital Corporation, Convertible Bond	6.950%	BBB	389,385
26,150		7.500%	N/R	654,012

	Saratoga Investment Corporation			
30,000	Solar Capital Limited	6.750%	BBB	649,500
30,295	Triangle Capital Corporation	6.375%	N/A	739,198
	Total Capital Markets			9,886,783
	Commercial Banks 12.1%			
29,660	Boston Private Financial Holdings Inc.	6.950%	N/R	686,629
19,300	City National Corporation	6.750%	BBB	510,485
6,100	Fifth Third Bancorp., (2)	6.625%	BBB	155,550
26,850	First Horizon National Corporation	6.200%	Ba3	585,062
21,871	First Niagara Finance Group	8.625%	BB+	626,167
19,200	First Republic Bank of San Francisco	6.200%	BBB	451,008
26,626	FNB Corporation	7.250%	Ba3	700,530
24,600	Morgan Stanley	7.125%	BB+	641,076
24,873	Private Bancorp Incorporated	7.125%	N/A	626,302
22,114	Regions Financial Corporation	6.375%	BB	515,477
12,697	TCF Financial Corporation	7.500%	BB	323,900
13,050	TCF Financial Corporation	6.450%	BB	308,372
30,000	Texas Capital Bancshares	6.500%	BB+	682,800
36,003	Twenty First Century Fox Inc.	8.000%	N/R	928,517
26,663	Webster Financial Corporation	6.400%	Ba1	602,584
	Total Commercial Banks			8,344,459
	Consumer Finance 1.9%			
26,325	Discover Financial Services	6.500%	BB	628,641
15,150	GMAC Capital Trust I	8.125%	B	414,807
6,980	HSBC Finance Corporation	6.360%	A	164,798
3,500	SLM Corporation	6.000%	BBB	70,315
	Total Consumer Finance			1,278,561

JPW Nuveen Flexible Investment Income Fund
Portfolio of Investments (continued) **January 31, 2014** (Unaudited)

Shares	Description (1)	Coupon	Ratings (3)	Value
	Diversified Financial Services 5.0%			
18,100	Citigroup Inc.	7.125%	BB+	$ 471,505
2,295	Intl FCStone Inc.	8.500%	N/R	57,352
26,362	KCAP Financial Inc.	7.375%	N/A	678,822
36,145	KKR Financial Holdings LLC	7.375%	BB+	888,083
29,075	Main Street Capital Corporation	6.125%	N/R	694,020
26,818	PennantPark Investment Corporation	6.250%	BBB	651,677
	Total Diversified Financial Services			3,441,459
	Diversified Telecommunication Services 1.4%			
26,300	Qwest Corporation	7.500%	BBB	660,130
12,700	Qwest Corporation	7.375%	BBB	317,627
	Total Diversified Telecommunication Services			977,757
	Health Care Providers & Services 1.2%			
31,600	Adcare Health Systems Inc.	10.875%	N/R	853,200
	Household Durables 1.0%			
26,285	Pitney Bowes Incorporated	6.700%	BBB	656,074
	Insurance 13.0%			
14,061	American Financial Group	6.375%	BBB+	348,994
19,952	Arch Capital Group Limited	6.750%	BBB	495,807
21,038	Argo Group US Inc.	6.500%	BBB	448,320
3,720	Aspen Insurance Holdings Limited	7.401%	BBB	95,827
34,653	Aspen Insurance Holdings Limited	7.250%	BBB	881,919
15,504	Axis Capital Holdings Limited	6.875%	BBB	384,809
2,600	Endurance Specialty Holdings Limited	7.750%	BBB	67,860
38,065	Endurance Specialty Holdings Limited	7.500%	BBB	978,271
17,148	Hanover Insurance Group	6.350%	Ba1	370,911
20,397	Maiden Holdings NA Limited	8.250%	BBB	502,582
19,125	Maiden Holdings NA Limited	8.000%	BBB	472,196
22,100	Maiden Holdings NA Limited	7.750%	BBB	503,880

17,132	MetLife Inc.	6.500%	Baa2	427,101
9,025	PartnerRe Limited	7.250%	BBB+	233,116
26,414	PartnerRe Limited	6.500%	BBB+	645,822
20,856	Protective Life Corporation	6.250%	BBB	482,191
5,953	Protective Life Corporation	6.000%	BBB	137,157
13,250	Prudential PLC	6.750%	A	334,165
12,273	Prudential PLC	6.500%	A	308,052
12,473	RenaissanceRe Holdings Limited	6.080%	BBB+	284,010
26,375	Selective Insurance Group	5.875%	BBB+	547,545
	Total Insurance			8,950,535
	Marine 1.5%			
8,400	Costamare Inc., (2)	8.500%	N/R	209,160
24,024	Costamare Inc.	7.625%	N/R	556,156
1,790	International Shipholding Corporation	9.000%	N/R	179,018
2,700	Navios Maritime Holdings Inc., (2)	8.750%	N/R	65,151
	Total Marine			1,009,485
	Multi-Utilities 0.4%			
11,862	DTE Energy Company	6.500%	Baa1	293,585
	Oil, Gas & Consumable Fuels 6.1%			
2,400	Callon Petroleum Company	10.000%	N/R	114,528
16,379	Magnum Hunter Resources Corporation	8.000%	N/A	779,640
14,900	Miller Energy Resources Inc.	10.500%	N/A	356,110
30,000	Nustar Logistics Limited Partnership	7.625%	Ba2	787,500
43,850	Teekay Offshore Partners LP	7.250%	N/R	1,091,865

Shares	Description (1)	Coupon	Ratings (3)	Value
	Oil, Gas & Consumable Fuels (continued)			
16,000	Tsakos Energy Navigation Limited	8.875%	N/R	$ 377,760
26,425	Vanguard Natural Resources LLC	7.875%	N/R	704,755
	Total Oil, Gas & Consumable Fuels			4,212,158
	Real Estate 35.3%			
27,675	AG Mortgage Investment Trust	8.000%	N/A	618,813
21,425	Annaly Capital Management	7.625%	N/A	492,775
18,900	Annaly Capital Management	7.500%	N/R	430,164
12,490	Apollo Commercial Real Estate Finance	8.625%	N/A	312,999
27,000	Apollo Residential Mortgage Inc.	8.000%	N/A	615,330
26,525	Arbor Realty Trust Incorporated	8.250%	N/R	663,656
14,213	Ashford Hospitality Trust Inc.	9.000%	N/A	369,680
8,800	Campus Crest Communities	8.000%	Ba1	220,000
30,000	CBL & Associates Properties Inc.	7.375%	BB	722,100
35,000	Cedar Shopping Centers Inc., Series A	7.250%	N/A	805,350
25,760	Chesapeake Lodging Trust	7.750%	N/A	642,454
2,203	Colony Financial Inc.	8.500%	N/R	55,824
6,248	CommomWealth REIT	7.250%	Ba1	141,392
20,000	Coresite Realty Corporation	7.250%	N/A	463,600
37,273	Corporate Office Properties Trust	7.375%	BB	910,207
10,400	CYS Investments Inc.	7.750%	N/A	225,160
12,716	CYS Investments Inc.	7.500%	N/R	265,764
28,336	Digital Realty Trust Inc.	7.000%	Baa3	658,245
37,508	Dupont Fabros Technology	7.875%	Ba2	935,450
200	Dupont Fabros Technology	7.625%	Ba2	4,800
12,800	Dynex Capital Inc.	8.500%	N/A	310,272
10,813	Dynex Capital Inc.	7.625%	N/R	238,102
10,000	EPR Properties Inc.	6.625%	Baa3	216,800
13,286	First Potomac Realty Trust	7.750%	N/R	337,597
9,600		7.125%	Baa3	231,168

	Hospitality Properties Trust			
25,775	Inland Real Estate Corporation	8.125%	N/R	662,418
26,285	Invesco Mortgage Capital Inc.	7.750%	N/A	615,332
25,900	Kennedy-Wilson Inc.	7.750%	BB	652,680
25,350	Kite Realty Group Trust	8.250%	N/A	644,144
10,000	LaSalle Hotel Properties	6.375%	N/R	215,000
12,100	MFA Financial Inc.	8.000%	N/A	315,084
20,051	MFA Financial Inc.	7.500%	N/A	437,112
20,925	Northstar Realty Finance Corporation	8.875%	N/A	528,356
24,048	Northstar Realty Finance Corporation	8.250%	N/R	580,278
15,000	Pebblebrook Hotel Trust	7.875%	N/A	383,250
13,175	Pebblebrook Hotel Trust	8.000%	N/A	335,040
17,725	Penn Real Estate Investment Trust	8.250%	N/A	446,670
8,844	Penn Real Estate Investment Trust	7.375%	N/A	213,140
29,150	Rait Financial Trust	7.750%	N/R	671,325
41,023	Retail Properties of America	7.000%	N/A	922,197
20,000	Sabra Health Care Real Estate Investment Trust	7.125%	B2	495,000
20,984	Senior Housing Properties Trust	5.625%	BBB	413,595
7,368	STAG Industrial Inc.	9.000%	BB	196,210
13,829	STAG Industrial Inc.	6.625%	BB	317,376
13,300	Strategic Hotel Capital Inc., Series B	8.250%	N/R	321,461
31,295	Strategic Hotel Capital Inc., Series C	8.250%	N/R	759,843
26,919	Summit Hotel Properties Inc.	7.875%	N/A	668,130
28,574	Sunstone Hotel Investors Inc.	8.000%	N/A	722,922
10,282	UMH Properties Inc.	8.250%	N/R	261,883
19,113	Urstadt Biddle Properties	7.125%	N/A	447,244
28,111	Winthrop Realty Trust Inc.	9.250%	N/R	746,909
17,600	Winthrop Realty Trust Inc.	7.750%	N/A	445,808
	Total Real Estate			24,306,109

JPW Nuveen Flexible Investment Income Fund
Portfolio of Investments (continued) **January 31, 2014** (Unaudited)

Shares	Description (1)	Coupon	Maturity	Ratings (3)	Value
	Thrifts & Mortgage Finance 2.6%				
27,098	Astoria Financial Corporation	6.500%		BB	$ 613,770
31,669	Everbank Financial Corporation	6.750%		N/A	729,337
22,600	Federal Agricultural Mortgage Corporation	5.875%		Aaa	463,300
	Total Thrifts & Mortgage Finance				1,806,407
	U.S. Agency 2.6%				
6,600	AgriBank FCB, (8)	6.875%		A	663,507
7,950	Cobank Agricultural Credit Bank, (8)	6.125%		A	672,272
4,000	Farm Credit Bank of Texas, 144A, (8)	6.750%		Baa1	407,500
	Total U.S. Agency				1,743,279
	Wireless Telecommunication Services 0.9%				
26,203	United States Cellular Corporation	6.950%		Baa2	648,783
	Total $25 Par (or similar) Retail Preferred (cost $70,312,222)				68,408,634
Principal Amount (000)	**Description (1)**	**Coupon**	**Maturity**	**Ratings (3)**	**Value**
	CORPORATE BONDS 12.0% (8.4% of Total Investments)				
	Capital Markets 0.1%				
$ 50	Walter Investment Management Corporation , First Lien Term Loan, 144A	7.875%	12/15/21	B	$ 50,625
	Commercial Services & Supplies 3.0%				
1,000	Iron Mountain Inc.	5.750%	8/15/24	B1	935,000
200	R.R. Donnelley & Sons Company	7.000%	2/15/22	BB	213,000
940	R.R. Donnelley & Sons Company	6.500%	11/15/23	BB	944,700
2,140	Total Commercial Services & Supplies				2,092,700
	Diversified Financial Services 2.6%				
325	Fly Leasing Limited	6.750%	12/15/20	BB	329,063
375	Icahn Enterprises Finance	6.000%	8/01/20	BBB	386,719
1,000	Jefferies Finance LLC Corporation, 144A	7.375%	4/01/20	B+	1,047,500
1,700	Total Diversified Financial Services				1,763,282
	Diversified Telecommunication Services 2.4%				
1,650		7.125%	1/15/23	Ba2	1,629,371

	Frontier Communications Corporation				
	Oil, Gas & Consumable Fuels 3.9%				
430	Breitburn Energy Partners LP	7.875%	4/15/22	B	457,414
1,000	DCP Midstream LLC, 144A	5.850%	5/21/43	Baa3	925,000
1,000	NuStar Logistics LP	6.750%	2/01/21	BB+	1,035,000
275	Vanguard Natural Resources Finance	7.875%	4/01/20	B	290,814
2,705	Total Oil, Gas & Consumable Fuels				2,708,228
$ 8,245	Total Corporate Bonds (cost $8,094,797)				8,244,206

Principal Amount (000)/ Shares	Description (1)	Coupon	Maturity	Ratings (3)	Value
	$1,000 PAR (OR SIMILAR) INSTITUTIONAL PREFERRED 8.2% (5.8% of Total Investments)				
	Commercial Banks 1.5%				
1,000	Zions Bancorporation	7.200%	N/A (5)	BB	$ 1,015,000
	Diversified Financial Services 2.1%				
100	ING US Inc.	5.650%	5/15/53	Ba1	96,000
1,075	JPMorgan Chase & Company	5.150%	N/A (5)	BBB	976,906
375	JPMorgan Chase & Company	6.750%	N/A (5)	BBB	380,063
	Total Diversified Financial Services				1,452,969

Principal Amount (000)/ Shares	Description (1)	Coupon	Maturity	Ratings (3)	Value
	Insurance 4.6%				
375	Liberty Mutual Group, 144A	7.800%	3/15/37	Baa3	$ 403,125
1,175	National Financial Services Inc.	6.750%	5/15/37	Baa2	1,155,907
675	StanCorp Financial Group Inc.	6.900%	6/01/67	BBB	671,625
975	XL Capital Ltd	6.500%	N/A (5)	BBB	955,500
	Total Insurance				3,186,157
	Total $1,000 Par (or similar) Institutional Preferred (cost $5,643,523)				5,654,126
Shares	**Description (1), (9)**				**Value**
	INVESTMENT COMPANIES 2.1% (1.5% of Total Investments)				
29,936	Cushing Royalty and Income Fund				$ 535,854
170,700	MFS Intermediate Income Trust				903,003
1,100	Oxford Lane Capital Corporation				19,399
	Total Investment Companies (cost $1,443,505)				1,458,256
	Total Long-Term Investments (cost $98,233,583)				**96,569,360**
Principal Amount (000)	**Description (1)**	**Coupon**	**Maturity**		**Value**
	SHORT-TERM INVESTMENTS 1.9% (1.3% of Total Investments)				
$ 1,314	Repurchase Agreement with Fixed Income Clearing Corporation, dated 1/31/14, repurchase price $1,313,604, collateralized by $1,290,000 U.S. Treasury Notes, 2.625%, due 11/15/20, value $1,343,361	0.000%	2/03/14		$ 1,313,604
	Total Short-Term Investments (cost $1,313,604)				**1,313,604**
	Total Investments (cost $99,547,187) 142.2%				**97,882,964**
	Borrowings (40.0)% (6), (7)				**(27,500,000)**
	Other Assets Less Liabilities (2.2)%				**(1,559,126)**
	Net Assets Applicable to Common Shares 100%				**$ 68,823,838**

For Fund portfolio compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group

indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications into sectors for reporting ease.

(1) All percentages shown in the Portfolio of Investments are based on net assets applicable to common shares unless otherwise noted.

(2) Non-income producing; issuer has not declared a dividend within the past twelve months.

(3) Ratings: Using the highest of Standard & Poor's Group ("Standard & Poor's"), Moody's Investors Service, Inc. ("Moody's") or Fitch, Inc. ("Fitch") rating. Ratings below BBB by Standard & Poor's, Baa by Moody's or BBB by Fitch are considered to be below investment grade. Holdings designated N/R are not rated by any of these national rating agencies.

(4) For fair value measurement disclosure purposes, Common Stock classified as Level 2. See Notes to Financial Statements, Note 2 Investment Valuation and Fair Value Measurements for more information.

(5) Perpetual security. Maturity date is not applicable.

(6) The Fund may pledge up to 100% of its eligible investments in the Portfolio of Investments as collateral for Borrowings. As of the end of the reporting period, investments with a value of $61,822,683 have been pledged as collateral for Borrowings.

(7) Borrowings as a percentage of Total Investments is 28.1%.

(8) For fair value measurement disclosure purposes, $25 Par (or similar) Retail Preferred classified as Level 2. See Notes to Financial Statements, Note 2 Investment Valuation and Fair Value Measurements for more information.

(9) A copy of the most recent financial statements for the investment companies in which the Fund invests can be obtained directly from the Securities and Exchange Commission on its website at http://www.sec.gov.

N/A Not applicable.

144A Investment is exempt from registration under Rule 144A of the Securities Act of 1933, as amended. These investments may only be resold in transactions exempt from registration, which are normally those transactions with qualified institutional buyers.

ADR American Depositary Receipt.

REIT Real Estate Investment Trust.

See accompanying notes to financial statements.

Statement of

Assets and Liabilities January 31, 2014 (Unaudited)

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Assets			
Long-term investments, at value (cost $1,313,776,811, $752,804,824 and $98,233,583, respectively)	$1,345,935,939	$766,885,114	$96,569,360
Short-term investments, at value (cost approximates value)	22,741,190	6,796,665	1,313,604
Unrealized appreciation on interest rate swaps, net	6,875,216	2,806,005	
Receivable for:			
Dividends	1,299,532	178,016	162,999
Interest	8,579,452	7,130,455	258,897
Investments sold	10,880,475	3,032,944	931,126
Reclaims	66,216	34,977	
Other assets	172,395	18,828	397
Total assets	1,396,550,415	786,883,004	99,236,383
Liabilities			
Borrowings	402,500,000	225,000,000	27,500,000
Unrealized depreciation on interest rate swaps	2,472,560		
Payable for:			
Dividends	6,032,938	3,769,579	446,047
Investments purchased	9,235,849	3,586,306	2,335,849
Accrued expenses:			
Management fees	963,143	567,727	70,682
Interest on borrowings	22,643	13,313	20,373
Trustees fees	196,386	20,804	856
Other	287,051	164,418	38,738
Total liabilities	421,710,570	233,122,147	30,412,545
Net assets applicable to common shares	$ 974,839,845	$553,760,857	$68,823,838
Common shares outstanding	96,990,341	22,752,777	3,705,250
Net asset value ("NAV") per common share outstanding (net assets applicable to common shares, divided by common shares outstanding)	$ 10.05	$ 24.34	$ 18.57
Net assets applicable to common shares consist of:			
	$ 969,903	$ 227,528	$ 37,053

Common shares, $.01 par value per share			
Paid-in surplus	1,291,757,040	541,836,890	70,585,222
Undistributed (Over-distribution of) net investment income	(5,936,429)	(147,971)	(77,890)
Accumulated net realized gain (loss)	(348,512,024)	(5,041,885)	(56,324)
Net unrealized appreciation (depreciation)	36,561,355	16,886,295	(1,664,223)
Net assets applicable to common shares	$ 974,839,845	$553,760,857	$68,823,838
Authorized shares:			
Common	Unlimited	Unlimited	Unlimited
Preferred	Unlimited	Unlimited	Unlimited

See accompanying notes to financial statements.

Statement of

Operations Six Months Ended January 31, 2014 (Unaudited)

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Investment Income			
Dividends (net of tax withheld of $41,646, $38,269 and $486, respectively)	$ 25,567,309	$ 8,262,101	$ 2,823,446
Interest	21,639,051	18,936,872	352,345
Other income	87,208	48,750	
Total investment income	47,293,568	27,247,723	3,175,791
Expenses			
Management fees	5,693,899	3,391,582	404,972
Interest expense on borrowings	2,214,576	1,332,594	111,126
Shareholder servicing agent fees and expenses	2,643	119	58
Custodian fees and expenses	117,314	67,825	12,800
Trustees fees and expenses	19,398	10,975	1,267
Professional fees	41,323	43,062	14,679
Shareholder reporting expenses	109,468	68,523	18,412
Stock exchange listing fees	15,616	4,344	60
Investor relations expenses	33,224	39,827	5,204
Other expenses	21,907	19,408	3,497
Total expenses	8,269,368	4,978,259	572,075
Net investment income (loss)	39,024,200	22,269,464	2,603,716
Realized and Unrealized Gain (Loss)			
Net realized gain (loss) from:			
Investments and foreign currency	(3,206,087)	(5,023,403)	(63,024)
Options written	30,270		
Swaps	(1,003,933)		
Change in net unrealized appreciation (depreciation) of:			
Investments and foreign currency	(16,567,556)	2,435,462	(1,024,790)
Swaps	(2,060,410)	(2,037,414)	
Net realized and unrealized gain (loss)	(22,807,716)	(4,625,355)	(1,087,814)
Net increase (decrease) in net assets applicable to common shares from operations	$ 16,216,484	$17,644,109	$ 1,515,902

See accompanying notes to financial statements.

Statement of

Changes in Net Assets (Unaudited)

	Preferred Income Opportunities (JPC)			Preferred and Income Term (JPI)	
	Six Months Ended 1/31/14	Seven Months Ended 7/31/13	Year Ended 12/31/12	Six Months Ended 1/31/14	Year Ended 7/31/13
Operations					
Net investment income (loss)	$ 39,024,200	$ 44,289,492	$ 73,402,758	$ 22,269,464	$ 42,555,776
Net realized gain (loss) from:					
Investments and foreign currency	(3,206,087)	29,849,203	37,117,450	(5,023,403)	13,635,080
Securities sold short			(1,666,640)		
Options written	30,270		2,565,730		
Options purchased			(158,961)		
Swaps	(1,003,933)	(1,164,775)	(1,942,963)		
Change in net unrealized appreciation (depreciation) of:					
Investments and foreign currency	(16,567,556)	(42,091,501)	120,367,362	2,435,462	11,980,059
Securities sold short			1,293,234		
Options written			(1,365,960)		
Options purchased			158,251		
Swaps	(2,060,410)	10,069,799	754,389	(2,037,414)	4,843,419
Net increase (decrease) in net assets applicable to common shares from operations	16,216,484	40,952,218	230,524,650	17,644,109	73,014,334
Distributions to Common Shareholders					
	(36,836,932)	(42,976,421)	(73,683,563)	(23,071,316)	(42,294,495)

From net investment income					
From accumulated net realized gains				(11,110,181)	(2,213,845)
Decrease in net assets applicable to common shares from distributions to common shareholders	(36,836,932)	(42,976,421)	(73,683,563)	(34,181,497)	(44,508,340)
Capital Share Transactions					
Common shares:					
Proceeds from sale of shares, net of offering costs					65,316,610
Net proceeds from shares issued to shareholders due to reinvestment of distributions					223,182
Net increase (decrease) in net assets applicable to common shares from capital share transactions					65,539,792

Net increase (decrease) in net assets applicable to common shares	(20,620,448)	(2,024,203)	156,841,087	(16,537,388)	94,045,786
Net assets applicable to common shares at the beginning of period	995,460,293	997,484,496	840,643,409	570,298,245	476,252,459
Net assets applicable to common shares at the end of period	$974,839,845	$995,460,293	$997,484,496	$553,760,857	$570,298,245
Undistributed (Over-distribution of) net investment income at the end of period	$ (5,936,429)	$ (8,123,697)	$ (8,330,468)	$ (147,971)	$ 653,881

See accompanying notes to financial statements.

	Flexible Investment Income (JPW)	
	Six Months Ended 1/31/14	For the Period 6/25/13 (commencement of operations) through 7/31/13
Operations		
Net investment income (loss)	$ 2,603,716	$ 119,563
Net realized gain (loss) from:		
Investments and foreign currency	(63,024)	6,700
Securities sold short		
Options written		
Options purchased		
Swaps		
Change in net unrealized appreciation (depreciation) of:		
Investments and foreign currency	(1,024,790)	(639,433)
Securities sold short		
Options written		
Options purchased		
Swaps		
Net increase (decrease) in net assets applicable to common shares from operations	1,515,902	(513,170)
Distributions to Common Shareholders		
From net investment income	(2,801,169)	
From accumulated net realized gains		
Decrease in net assets applicable to common shares from distributions to common shareholders	(2,801,169)	
Capital Share Transactions		
Common shares:		
Proceeds from sale of shares, net of offering costs	3,812,000	66,710,000
Net proceeds from shares issued to shareholders due to reinvestment of distributions		
Net increase (decrease) in net assets applicable to common shares from capital share transactions	3,812,000	66,710,000
Net increase (decrease) in net assets applicable to common shares	2,526,733	66,196,830
Net assets applicable to common shares at the beginning of period	66,297,105	100,275
Net assets applicable to common shares at the end of period	$68,823,838	$ 66,297,105
Undistributed (Over-distribution of) net investment income at the end of period	$ (77,890)	$ 119,563

See accompanying notes to financial statements.

Statement of

Cash Flows Six Months Ended January 31, 2014 (Unaudited)

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Cash Flows from Operating Activities:			
Net Increase (Decrease) in Net Assets Applicable to Common Shares from Operations	$ 16,216,484	$ 17,644,109	$ 1,515,902
Adjustments to reconcile the net increase (decrease) in net assets applicable to common shares from operations to net cash provided by (used in) operating activities:			
Purchases of investments	(253,674,524)	(165,311,064)	(54,028,291)
Proceeds from sales and maturities of investments	268,845,183	178,621,997	21,621,290
Proceeds from (Purchases of) short-term investments, net	(8,798,884)	(2,032,659)	464,629
Proceeds from (Payments for) swap contracts, net	(1,003,933)		
Premiums received for options written	30,270		
Amortization (Accretion) of premiums and discounts, net	174,625	213,534	(4,804)
(Increase) Decrease in:			
Receivable for dividends	(17,167)	(64,237)	(47,136)
Receivable for interest	738,291	1,287,202	(196,211)
Receivable for investments sold	(8,891,079)	(1,498,981)	(931,126)
Receivable for reclaims	(249)	(34,977)	
Other assets	22,564	31,303	(397)
Increase (Decrease) in:			
Payable for investment purchased	404,711	691,901	1,522,933
Accrued management fees	(17,099)	(12,140)	21,644
Accrued interest on borrowings	(2,596)	(1,451)	20,373
Accrued Trustees fees	3,047	3,768	254
Accrued other expenses	(45,641)	(1,937)	(4,524)
Net realized (gain) loss from:			
Investments and foreign currency	3,206,087	5,023,403	63,024
Options written	(30,270)		
Swaps	1,003,933		
Change in net unrealized (appreciation) depreciation of:			
Investments and foreign currency	16,567,556	(2,435,462)	1,024,790

Swaps	2,060,410	2,037,414	
Proceeds from litigation settlement	40,157		
Net cash provided by (used in) operating activities	36,831,876	34,161,723	(28,957,650)
Cash Flows from Financing Activities:			
Proceeds from borrowings			27,500,000
Cash distributions paid to common shareholders	(36,831,876)	(34,161,723)	(2,355,122)
Proceeds from sale of shares, net of offering costs			3,812,000
Net cash provided by (used in) financing activities	(36,831,876)	(34,161,723)	28,956,878
Net Increase (Decrease) in Cash			(772)
Cash at the beginning of period			772
Cash at the End of Period	$	$	$
Supplemental Disclosure of Cash Flow Information			

	Preferred Income Opportunities (JPC)	**Preferred and Income Term (JPI)**	**Flexible Investment Income (JPW)**
Cash paid for interest on borrowings (excluding borrowing costs)	$ 2,217,172	$ 1,299,730	$ 90,753

See accompanying notes to financial statements.

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Financial

Highlights (Unaudited)

Selected data for a common share outstanding throughout each period:

	Investment Operations					Less Distributions						
Beginning Common Share NAV	Net Investment Income (Loss)(a)	Net Realized/ Unrealized Gain (Loss)	Distributions from Net Investment Income to Fund Preferred Shareholders(b)	Distributions from Accumulated Net Realized Gains to Fund Preferred Shareholders(b)	Total	From Net Investment Income to Common Share-holders	From Accum-ulated Net Realized Gains to Common Share-holders	Return of Capital to Common Share-holders	Total	Discount from Common Shares Repurchased and Retired	Ending Common Share NAV	Ending Market Value
Preferred Income Opportunities (JPC)												
Year Ended 7/31:												
2014(i) $ 10.26	$ .40	$ (.23)	$	$	$ .17	$ (.38)	$	$	$ (.38)	$	$ 10.05	$ 8.99
2013(h) 10.28	.46	(.04)			.42	(.44)			(.44)		10.26	9.35
Year Ended 12/31:												
2012 8.67	.76	1.61			2.37	(.76)			(.76)		10.28	9.71
2011 9.62	.51	(.72)			(.21)	(.75)		*	(.75)	.01	8.67	8.01
2010 8.56	.50	1.23			1.73	(.57)		(.11)	(.68)	.01	9.62	8.35
2009 5.60	.54	3.03		*	3.57	(.61)		(.02)	(.63)	.02	8.56	7.49
2008 12.38	.86	(6.49)	(.15)		(5.78)	(.69)		(.31)	(1.00)	*	5.60	4.60

	Fund Preferred Shares at End of Period			Borrowings at End of Period	
Preferred Income Opportunities (JPC)	**Aggregate Amount Outstanding (000)**	**Liquidation and Market Value Per Share**	**Asset Coverage Per Share**	**Aggregate Amount Outstanding (000)**	**Asset Coverage Per $1,000**
Year Ended 7/31:					
2014(i)	$	$	$	$ 402,500	$ 3,422
2013(h)				402,500	3,473
Year Ended 12/31:					
2012				383,750	3,599
2011				348,000	3,416
2010				270,000	4,477
2009				270,000	4,111
2008	118,650	25,000	142,298	145,545	5,640

(a) Per share Net Investment Income (Loss) is calculated using the average daily shares method.

(b) The amounts shown are based on common share equivalents.

(c) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share NAV is the combination of changes in common share NAV, reinvested dividend income at NAV and reinvested capital gains distributions at NAV, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending NAV. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its NAV), and therefore may be different from the price used in the calculation. Total returns are not annualized.

	Total Returns			Ratios/Supplemental Data				
				Ratios to Average Net Assets Applicable to Common Shares Before Reimbursement(d)		Ratios to Average Net Assets Applicable to Common Shares After Reimbursement(d)(e)		
	Based on Common Share NAV(c)	Based on Market Value(c)	Ending Net Assets Applicable to Common Shares (000)	Expenses	Net Investment Income (Loss)	Expenses	Net Investment Income (Loss)	Portfolio Turnover Rate(g)
Preferred Income Opportunities (JPC)								
Year Ended 7/31:								
2014(i)	1.75%	.35%	$ 974,840	1.70%***	8.02%***	N/A	N/A	19%
2013(h)	4.09	.63	995,460	1.67***	7.47***	N/A	N/A	27
Year Ended 12/31:								
2012	28.17	31.44	997,484	1.79	7.85	N/A	N/A	123
2011	(2.23)	4.95	840,643	1.73	5.40	1.70%	5.43%	34
2010	21.06	21.28	938,844	1.67	5.39	1.54	5.52	49
2009	67.37	81.73	839,846	1.80	7.76	1.57	7.99	50
2008	(49.27)	(51.80)	556,698	2.47	8.14	2.04	8.57	36

(d) • Ratios do not reflect the effect of dividend payments to FundPreferred shareholders, where applicable.

• Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to FundPreferred shares and/or borrowings, where applicable.

• Each ratio includes the effect of dividends expense on securities sold short and all interest expense paid and other costs related to borrowings, where applicable as follows:

Preferred Income Opportunities (JPC)	Ratios of Dividends Expense on Securities Sold Short to Average Net Assets Applicable to Common Shares(f)	Ratios of Borrowings Interest Expense to Average Net Assets Applicable to Common Shares
Year Ended 7/31:		
2014(i)	%	.46%***
2013(h)		.45***
Year Ended 12/31:		
2012		.52
2011	**	.43
2010	**	.40
2009	**	.45
2008	.01	.82

(e) After expense reimbursement from the Adviser, where applicable. As of March 31, 2011, the Adviser is no longer reimbursing the Fund for any fees or expenses.

(f) Effective for periods beginning after December 31, 2011, the Fund no longer makes short sales of securities.

(g) Portfolio Turnover Rate is calculated based on the lesser of long-term purchases or sales (as disclosed in Note 5 Investment Transactions) divided by the average long-term market value during the period.

(h) For the seven months ended July 31, 2013.

(i) For the six months ended January 31, 2014.

N/A The Fund no longer has a contractual reimbursement agreement with the Adviser.

* Rounds to less than $.01 per share.

** Rounds to less than .01%.

*** Annualized.

See accompanying notes to financial statements.

Financial Highlights (Unaudited) (continued)

Selected data for a common share outstanding throughout each period:

	Investment Operations			Less Distributions						Total Returns	
Beginning Common Share NAV	Net Investment Income (Loss)(a)	Net Realized/ Unrealized Gain (Loss)	Total	From Net Investment Income to Common Share-holders	From Accumu-lated Net Realized Gains to Common Share-holders	Total	Offering Costs	Ending Common Share NAV	Ending Market Value	Based on Common Share NAV(b)	Based on Market Value(b)
Preferred and Income Term (JPI)											
Year Ended 7/31:											
2014(i) $ 25.06	$ .98	$ (.20)	$ .78	$ (1.01)	$ (.49)	$ (1.50)	$	$ 24.34	$ 22.55	3.21%	1.80%
2013 23.81	1.89	1.32	3.21	(1.86)	(.10)	(1.96)	*	25.06	23.68	13.69	.41
2012(g) 23.88	*	(.02)	(.02)				(.05)	23.81	25.50	(.23)	2.00
Flexible Investment Income (JPW)											
Year Ended 7/31:											
2014(i) 19.31	.70	(.28)	.42	(.76)		(.76)	*	18.57	16.58	2.37	(12.35)
2013(h) 19.10	.03	(.18)	(.15)				(.04)	18.91	19.80	(.99)	(1.00)

	Borrowings at End of Period(e)	
	Aggregate Amount Outstanding (000)	Asset Coverage Per $1,000
Preferred and Income Term (JPI)		
Year Ended 7/31:		
2014(i)	$ 225,000	$ 3,461
2013	225,000	3,535
Flexible Investment Income (JPW)		
Year Ended 7/31:		
2014(i)	27,500	3,503

	Ratios/Supplemental Data Ratios to Average Net Assets Applicable to Common Shares(c)			
	Ending Net Assets Applicable to Common Shares (000)	Expenses	Net Investment Income (Loss)	Portfolio Turnover Rate(f)
Preferred and Income Term (JPI)				
Year Ended 7/31:				
2014(i)	$ 553,761	1.77%**	7.92%**	21%
2013	570,298	1.72	7.51	57
2012(d)	476,252	.97**	(.96)**	
Flexible Investment Income (JPW)				
Year Ended 7/31:				
2014(i)	68,824	1.70**	7.63**	25
2013(h)	66,297	1.40**	1.93**	3

(a) Per share Net Investment Income (Loss) is calculated using the average daily shares method.

(b) Total Return Based on Market Value is the combination of changes in the market price per share and the effect of reinvested dividend income and reinvested capital gains distributions, if any, at the average price paid per share at the time of reinvestment. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending market price. The actual reinvestment for the last dividend declared in the period may take place over several days, and in some instances may not be based on the market price, so the actual reinvestment price may be different from the price used in the calculation. Total returns are not annualized.

Total Return Based on Common Share NAV is the combination of changes in common share NAV, reinvested dividend income at NAV and reinvested capital gains distributions at NAV, if any. The last dividend declared in the period, which is typically paid on the first business day of the following month, is assumed to be reinvested at the ending NAV. The actual reinvest price for the last dividend declared in the period may often be based on the Fund's market price (and not its NAV), and therefore may be different from the price used in the calculation. Total returns are not annualized.

(c) • Net Investment Income (Loss) ratios reflect income earned and expenses incurred on assets attributable to borrowings, where applicable.

• Each ratio includes the effect of all interest expense paid and other costs related to borrowings as follows:

	Ratios of Borrowings Interest Expense to Average Net Assets Applicable to Common Share(e)
Preferred and Income Term (JPI)	
Year Ended 7/31:	
2014(i)	.47%**
2013(g)	.48
Flexible Investment Income (JPW)	
Year Ended 7/31:	
2014(j)	.35**

(d) For the period July 26, 2012 (commencement of operations) through July 31, 2012.

(e) Preferred and Income Term (JPI) and Flexible Investment Income (JPW) did not utilize borrowings prior to the fiscal years ended July 31, 2013 and July 31, 2014, respectively.

(f) Portfolio Turnover Rate is calculated based on the lesser of long-term purchases or sales (as disclosed in Note 5 Investment Transactions) divided by the average long-term market value during the period.

(g) For the period August 29, 2012 (first utilization date of borrowings) through July 31, 2013.

(h) For the period June 25, 2013 (commencement of operations) through July 31, 2013.

(i) For the six months ended January 31, 2014.

(j) For the period August 13, 2013 (first utilization date of borrowings) through January 31, 2014.

* Rounds to less than $.01 per share.

** Annualized.

See accompanying notes to financial statements.

Notes to

Financial Statements (Unaudited)

1. General Information and Significant Accounting Policies

General Information

Fund Information

The funds covered in this report and their corresponding New York Stock Exchange ("NYSE") symbols are as follows (each a "Fund" and collectively, the "Funds"):

- Nuveen Preferred Income Opportunities Fund (JPC) ("Preferred Income Opportunities (JPC)")
- Nuveen Preferred and Income Term Fund (JPI) ("Preferred and Income Term (JPI)")
- Nuveen Flexible Investment Income Fund (JPW) ("Flexible Investment Income (JPW)")

The Funds are registered under the Investment Company Act of 1940, as amended, as diversified closed-end (non-diversified for Preferred and Income Term (JPI)) registered investment companies. Preferred Income Opportunities (JPC), Preferred and Income Term (JPI) and Flexible Investment Income (JPW) were each organized as Massachusetts business trusts on January 27, 2003, April 18, 2012 and March 28, 2013, respectively.

Investment Adviser

The Funds' investment adviser is Nuveen Fund Advisors, LLC (the "Adviser"), a wholly-owned subsidiary of Nuveen Investments, Inc. ("Nuveen"). The Adviser is responsible for each Fund's overall investment strategy and asset allocation decisions. The Adviser has entered into sub-advisory agreements with NWQ Investment Management Company, LLC ("NWQ") and Nuveen Asset Management LLC ("NAM"), a subsidiary of Adviser, (each a "Sub-Adviser" and collectively, the "Sub-Advisers"). NWQ and NAM are each responsible for approximately half of Preferred Income Opportunities' (JPC) portfolio. NAM manages the investment portfolio of Preferred and Income Term (JPI), while NWQ manages the investment portfolio of Flexible Investment Income (JPW). The Adviser is responsible for managing Preferred Income Opportunities' (JPC) and Preferred and Income Term's (JPI) investments in swap contracts.

Investment Objectives

Preferred Income Opportunities' (JPC) investment objective is to provide high current income and total return by investing at least 80% of its managed assets (as defined in Note 7 Management Fees and Other Transactions with Affiliates) in preferred securities, and up to 20% opportunistically over the market cycle in other types of securities, primarily income-oriented securities such as corporate and taxable municipal debt and common equity. At least 60% of its managed assets are rated investment grade (BBB/Baa or better by S&P, Moody's, or Fitch) at the time of investment.

Preferred and Income Term's (JPI) investment objective is to provide a high level of current income and total return. The Fund seeks to achieve its investment objective by investing in preferred securities and other income producing securities. Under normal market conditions, the Fund will invest at least 80% of its

managed assets in preferred and other income producing securities. The Fund will invest at least 60% of its managed assets in securities rated investment grade (BBB-/Baa3 or higher) at the time of purchase. The Fund will invest 100% of its managed assets in U.S. dollar denominated securities. The Fund will also invest up to 40% of its managed assets in securities issued by non-U.S. domiciled companies.

Flexible Investment Income's (JPW) investment objectives are to provide high current income and, secondarily, capital appreciation. Under normal circumstances, the Fund will invest at least 80% of its managed assets in income producing securities issued by companies located anywhere in the world. The Fund will invest in income producing securities across the capital structure in any type of debt, preferred or equity securities offered by a particular company, or debt securities issued by a government. The Fund will invest 100% of its managed assets in U.S. dollar-denominated securities, and may invest up to 50% of its managed assets in securities of non-U.S. companies. The Fund may invest up to 40% of its managed assets in equity securities (other than preferred securities). At least 25% of the aggregate market value of the Fund's investments in debt and preferred securities that are of a type customarily rated by a credit rating agency will be rated investment grade, or if unrated, will be judged to be of comparable quality by NWQ The Fund will invest at least 25% of its managed assets in securities issued by financial services companies. The Fund may invest up to 15% of its managed assets in securities and other instruments that, at the time of purchase, are illiquid. The Fund may opportunistically write (sell) covered call options on the Fund's portfolio of equity securities for the purpose of enhancing the Fund's risk-adjusted total return over time. The Fund anticipates using leverage to help achieve its investment objectives. The Fund may utilize leverage in the form of borrowings from a financial institution or the issuance of preferred shares or other senior securities, such as commercial paper or notes.

Significant Accounting Policies

The following is a summary of significant accounting policies followed by the Funds in the preparation of their financial statements in accordance with U.S. generally accepted accounting principles ("U.S. GAAP").

Investment Transactions

Investment transactions are recorded on a trade date basis. Realized gains and losses from investment transactions are determined on the specific identification method, which is the same basis used for federal income tax purposes. Investments purchased on a when-issued/delayed delivery basis may have extended settlement periods. Any investments so purchased are subject to market fluctuation during this period. The Funds have instructed the custodian to earmark securities in the Funds' portfolios with a current value at least equal to the amount of the when-issued/delayed delivery purchase commitments. As of January 31, 2014, the Funds' outstanding when-issued/delayed delivery purchase commitments were as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Outstanding when-issued/delayed delivery purchase commitments	$ 1,437,500	$ 1,550,000	$

Investment Income

Dividend income is recorded on the ex-dividend date or, for foreign securities, when information is available. Interest income, which reflects the amortization of premiums and includes accretion of discounts for financial reporting purposes, is recorded on an accrual basis. Interest income also reflects paydown gains and losses, if any. Other income is comprised of fees earned in connection with the rehypothecation of pledged collateral as further described in Note 8 Borrowing Arrangements.

Professional Fees

Professional fees presented on the Statement of Operations consist of legal fees incurred in the normal course of operations, audit fees, tax consulting fees and, in some cases, workout expenditures. Workout expenditures are incurred in an attempt to protect or enhance an investment or to pursue other claims or legal actions on behalf of Fund shareholders. Should a Fund receive a refund of workout expenditures paid in a prior reporting period, such amounts will be recognized as "Legal fee refund" on the Statement of Operations.

Dividends and Distributions to Common Shareholders

Distributions to common shareholders are recorded on the ex-dividend date. The amount and timing of distributions are determined in accordance with federal income tax regulations, which may differ from U.S. GAAP.

Dividends to common shareholders are declared monthly. Net realized capital gains from investment transactions, if any, are declared and distributed to shareholders at least annually. Furthermore, capital gains are distributed only to the extent they exceed available capital loss carryforwards.

Flexible Investment Income's (JPW) regular monthly distributions are currently being sourced entirely from net investment income. The Fund's current portfolio is predominantly invested in income producing securities the income from which is expected to be the source of distributions. For periods when the Fund is sourcing its monthly distributions solely from net investment income, the Fund will seek to distribute substantially all of its net investment income over time. There are no assurances given to how long the Fund will source distributions entirely from net investment income.

Market conditions may change, causing the portfolio management team at some future time to focus the mix of portfolio investments less to income-oriented securities. This may cause the regular monthly distributions to be sourced from something other than net investment income. Flexible Investment Income (JPW) has adopted a managed distribution policy permitting it to source its regular monthly distributions from not only net investment income, but also from realized capital gains and/or return of capital. If a managed distribution policy is employed, the Fund will seek to establish a relatively stable common share distribution rate that roughly corresponds to the projected total return from its investment strategy over an extended period of time. Actual common share returns will differ from projected long-term returns, and the difference between actual returns and total distributions will be reflected in an increasing (returns exceed distributions) or a decreasing (distributions exceed returns) Fund net asset value ("NAV"). If the Fund changes to a managed distribution, a press release will be issued describing such change and this change will also be described in subsequent shareholder reports. Additionally, any distribution payment that is sourced from something other than net investment income, there will be a notice issued quantifying the sources of such distribution.

Preferred Shares

The Funds are authorized to issue preferred shares. During prior fiscal periods, Preferred Income Opportunities (JPC) redeemed all of its outstanding preferred shares, at liquidation value. As of January 31, 2014, Preferred and Income Term (JPI) and Flexible Investment Income (JPW) have not issued any preferred shares.

Indemnifications

Under the Funds' organizational documents, their officers and trustees are indemnified against certain liabilities arising out of the performance of their duties to the Funds. In addition, in the normal course of business, the Funds enter into contracts that provide general indemnifications to other parties. The Funds' maximum exposure under these arrangements is unknown as this would involve future claims that may be made against the Funds that have not yet occurred. However, the Funds have not had prior claims or losses pursuant to these contracts and expects the risk of loss to be remote.

Notes to Financial Statements (Unaudited) (continued)

Netting Agreements

In the ordinary course of business, the Funds may enter into transactions subject to enforceable master repurchase agreements, International Swaps and Derivative Association, Inc. ("ISDA") master agreements or other similar arrangements ("netting agreements"). Generally, the right to offset in netting agreements allows each Fund to offset any exposure to a specific counterparty with any collateral received or delivered to that counterparty based on the terms of the agreements. Generally, each Fund manages its cash collateral and securities collateral on a counterparty basis. As of January 31, 2014, the Funds were not invested in any portfolio securities or derivatives, other than repurchase agreements and swap contracts further described in Note 3 Portfolio Securities and Investments in Derivatives that are subject to netting agreements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of increases and decreases in net assets applicable to common shares from operations during the reporting period. Actual results may differ from those estimates.

2. Investment Valuation and Fair Value Measurements

Investment Valuation

Common stocks and other equity-type securities are valued at the last sales price on the securities exchange on which such securities are primarily traded and are generally classified as Level 1 for fair value measurement purposes. Securities primarily traded on the NASDAQ National Market ("NASDAQ") are valued, except as indicated below, at the NASDAQ Official Closing Price and are generally classified as Level 1. However, securities traded on a securities exchange or NASDAQ for which there were no transactions on a given day or securities not listed on a securities exchange or NASDAQ are valued at the quoted bid price and are generally classified as Level 2. Prices of certain American Depositary Receipts ("ADR") held by the Fund that trade in the United States are valued based on the last traded price, official closing price or the most recent bid price of the underlying non- U.S.-traded stock, adjusted as appropriate for the underlying-to-ADR conversion ratio and foreign exchange rate, and from time-to-time may also be adjusted further to take into account material events that may take place after the close of the local non-U.S. market but before the close of the NYSE, which may represent a transfer from a Level 1 to a Level 2 security.

Prices of fixed-income securities and swap contracts are provided by a pricing service approved by the Funds' Board of Trustees. These securities are generally classified as Level 2. The pricing service establishes a security's fair value using methods that may include consideration of the following: yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant. In pricing certain securities, particularly less liquid and lower quality securities, the pricing service may consider information about a security, its issuer or market activity, provided by the Adviser. These securities are generally classified as Level 2 or Level 3 depending on the priority of the significant inputs.

Investments in investment companies are valued at their respective NAV on valuation date and are generally classified as Level 1.

Repurchase agreements are valued at contract amount plus accrued interest, which approximates market value. These securities are generally classified as Level 2.

The value of exchange-traded options are based on the mean of the closing bid and ask prices. Exchange-traded options are generally classified as Level 1. Options traded in the over-the-counter market are valued using an evaluated mean price and are generally classified as Level 2.

Investments initially valued in currencies other than the U.S. dollar are converted to the U.S. dollar using exchange rates obtained from pricing services. As a result, the NAV of the Funds' shares may be affected by changes in the value of currencies in relation to the U.S. dollar. The value of securities traded in markets outside the United States or denominated in currencies other than the U.S. dollar may be affected significantly on a day that the NYSE is closed and an investor is not able to purchase, redeem or exchange shares. If significant market events occur between the time of determination of the closing price of a foreign security on an exchange and the time that the Funds' NAV is determined, or if under the Funds' procedures, the closing price of a foreign security is not deemed to be reliable, the security would be valued at fair value as determined in accordance with procedures established in good faith by the Funds' Board of Trustees. These securities are generally classified as Level 2 or Level 3 depending on the priority of the significant inputs.

Certain securities may not be able to be priced by the pre-established pricing methods as described above. Such securities may be valued by the Funds' Board of Trustees or its designee at fair value. These securities generally include, but are not limited to, restricted securities (securities which may not be publicly sold without registration under the Securities Act of 1933, as amended) for which a pricing service is unable to provide a market price; securities whose trading has been formally suspended; debt securities that have gone into default and for which there is no current market quotation; a security whose market price is not available from a pre-established pricing source; a security with respect to which an event has occurred that is likely to materially affect the value of the security after the market has closed but before the calculation of a Fund's NAV (as may be the case in non-U.S. markets on which the security is primarily traded) or make it difficult or impossible to obtain a reliable market quotation; and a security whose price, as provided by the pricing service, is not deemed to reflect the security's fair value. As a general principle, the fair value of a security would appear to be the amount

that the owner might reasonably expect to receive for it in a current sale. A variety of factors may be considered in determining the fair value of such securities, which may include consideration of the following: yields or prices of investments of comparable quality, type of issue, coupon, maturity and rating, market quotes or indications of value from security dealers, evaluations of anticipated cash flows or collateral, general market conditions and other information and analysis, including the obligor's credit characteristics considered relevant. These securities are generally classified as Level 2 or Level 3 depending on the priority of the significant inputs. Regardless of the method employed to value a particular security, all valuations are subject to review by the Funds' Board of Trustees or its designee.

Fair Value Measurements

Fair value is defined as the price that the Funds would receive upon selling an investment or transferring a liability in an orderly transaction to an independent buyer in the principal or most advantageous market for the investment. A three-tier hierarchy is used to maximize the use of observable market data and minimize the use of unobservable inputs and to establish classification of fair value measurements for disclosure purposes. Observable inputs reflect the assumptions market participants would use in pricing the asset or liability. Observable inputs are based on market data obtained from sources independent of the reporting entity. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability. Unobservable inputs are based on the best information available in the circumstances. The following is a summary of the three-tiered hierarchy of valuation input levels.

Level 1 Inputs are unadjusted and prices are determined using quoted prices in active markets for identical securities.

Level 2 Prices are determined using other significant observable inputs (including quoted prices for similar securities, interest rates, prepayment speeds, credit risk, etc.).

Level 3 Prices are determined using significant unobservable inputs (including management's assumptions in determining the fair value of investments).

The inputs or methodologies used for valuing securities are not an indication of the risks associated with investing in those securities. The following is a summary of each Fund's fair value measurements as of the end of the reporting period:

Preferred Income Opportunities (JPC)	**Level 1**	**Level 2**	**Level 3**	**Total**
Long-Term Investments*:				
Common Stocks	$ 39,898,148	$ 1,576,651	$	$ 41,474,799
Convertible Preferred Securities	1,335,520			1,335,520
$25 Par (or similar) Retail Preferred	600,276,249	65,044,478		665,320,727
Corporate Bonds		38,544,034		38,544,034
$1,000 Par (or similar) Institutional		592,499,654		592,499,654

Preferred Investment Companies	6,761,205			6,761,205
Short-Term Investments:				
Repurchase Agreements		22,741,190		22,741,190
Investments in Derivatives:				
Interest Rate Swaps**		4,402,656		4,402,656
Total	$648,271,122	$724,808,663	$	$1,373,079,785
Preferred and Income Term (JPI)				
Long-Term Investments*:				
$25 Par (or similar) Retail Preferred	$155,826,465	$ 63,461,760	$	$ 219,288,225
Corporate Bonds		6,452,260		6,452,260
$1,000 Par (or similar) Institutional Preferred		541,144,629		541,144,629
Short-Term Investments:				
Repurchase Agreements		6,796,665		6,796,665
Investments in Derivatives:				
Interest Rate Swaps**		2,806,005		2,806,005
Total	$155,826,465	$620,661,319	$	$ 776,487,784
Flexible Investment Income (JPW)				
Long-Term Investments*:				
Common Stocks	$ 12,048,361	$ 458,722	$	$ 12,507,083
Convertible Preferred Securities	297,055			297,055
$25 Par (or similar) Retail Preferred	66,582,855	1,825,779		68,408,634
Corporate Bonds		8,244,206		8,244,206
$1,000 Par (or similar) Institutional Preferred		5,654,126		5,654,126
Investment Companies	1,458,256			1,458,256
Short-Term Investments:				
Repurchase Agreements		1,313,604		1,313,604
Total	$ 80,386,527	$ 17,496,437	$	$ 97,882,964

* Refer to the Fund's Portfolio of Investments for industry classifications and breakdown of Common Stocks and $25 Par (or similar) Retail Preferred classified as Level 2.

** Represents net unrealized appreciation (depreciation) as reported in the Fund's Portfolio of Investments.

Notes to Financial Statements (Unaudited) (continued)

The Nuveen funds' Board of Directors/Trustees is responsible for the valuation process and has delegated the oversight of the daily valuation process to the Adviser's Valuation Committee. The Valuation Committee, pursuant to the valuation policies and procedures adopted by the Board of Directors/Trustees, is responsible for making fair value determinations, evaluating the effectiveness of the funds' pricing policies and reporting to the Board of Directors/Trustees. The Valuation Committee is aided in its efforts by the Adviser's dedicated Securities Valuation Team, which is responsible for administering the daily valuation process and applying fair value methodologies as approved by the Valuation Committee. When determining the reliability of independent pricing services for investments owned by the funds, the Valuation Committee, among other things, conducts due diligence reviews of the pricing services and monitors the quality of security prices received through various testing reports conducted by the Securities Valuation Team.

The Valuation Committee will consider pricing methodologies it deems relevant and appropriate when making a fair value determination, based on the facts and circumstances specific to the portfolio instrument. Fair value determinations generally will be derived as follows, using public or private market information:

(i) If available, fair value determinations shall be derived by extrapolating from recent transactions or quoted prices for identical or comparable securities.

(ii) If such information is not available, an analytical valuation methodology may be used based on other available information including, but not limited to: analyst appraisals, research reports, corporate action information, issuer financial statements and shelf registration statements. Such analytical valuation methodologies may include, but are not limited to: multiple of earnings, discount from market value of a similar freely-traded security, discounted cash flow analysis, book value or a multiple thereof, risk premium/yield analysis, yield to maturity and/or fundamental investment analysis.

The purchase price of a portfolio instrument will be used to fair value the instrument only if no other valuation methodology is available or deemed appropriate, and it is determined that the purchase price fairly reflects the instrument's current value.

For each portfolio security that has been fair valued pursuant to the policies adopted by the Board of Directors/Trustees, the fair value price is compared against the last available and next available market quotations. The Valuation Committee reviews the results of such testing and fair valuation occurrences are reported to the Board of Directors/Trustees.

3. Portfolio Securities and Investments in Derivatives

Portfolio Securities

Foreign Currency Transactions

To the extent that the Funds invest in securities and/or contracts that are denominated in a currency other than U.S. dollars, the Funds will be subject to currency risk, which is the risk that an increase in the U.S. dollar relative to the foreign currency will reduce returns or portfolio value. Generally, when the U.S. dollar rises in value against a foreign currency, the Funds' investments denominated in that currency will lose value because its currency is worth fewer U.S. dollars; the opposite effect occurs if the U.S. dollar falls in relative value. Investments and other assets and liabilities denominated in foreign currencies are converted into U.S. dollars on a spot (i.e. cash) basis at the spot rate prevailing in the foreign currency exchange

market at the time of valuation. Purchases and sales of investments and income denominated in foreign currencies are translated into U.S. dollars on the respective dates of such transactions.

Each Fund may invest in non-U.S. securities. As of January 31, 2014, the Funds' investments in non-U.S. securities were as follows:

Preferred Income Opportunities (JPC)	**Value**	**% of Total Investments**
Country:		
United Kingdom	$ 76,902,319	5.6%
Netherlands	69,659,410	5.1
Spain	37,752,110	2.8
Switzerland	34,739,183	2.5
Other Countries	95,010,348	6.9
Total Non-U.S. Securities	$314,063,370	22.9%

Preferred and Income Term (JPI)	Value	% of Total Investments
Country:		
United Kingdom	$ 89,741,352	11.6%
Netherlands	68,945,884	8.9
Spain	39,725,213	5.1
France	37,080,815	4.8
Other Countries	51,043,817	6.6
Total Non-U.S. Securities	$286,537,081	37.0%
Flexible Investment Income (JPW)		
Country:		
Ireland	$ 1,284,563	1.3%
United Kingdom	807,015	0.8
Greece	765,316	0.8
Israel	598,042	0.6
Norway	545,664	0.6
Other Countries	1,001,940	1.0
Total Non-U.S. Securities	$ 5,002,540	5.1%

The books and records of the Funds are maintained in U.S. dollars. Foreign currencies, assets and liabilities are translated into U.S. dollars at 4:00 p.m. Eastern Time. Investment transactions, income and expenses are translated on the respective dates of such transactions. Net realized foreign currency gains and losses resulting from changes in exchange rates include foreign currency gains and losses between trade date and settlement date of the transactions, foreign currency transactions, and the difference between the amounts of interest and dividends recorded on the books of a Fund and the amounts actually received.

The realized gains and losses resulting from changes in foreign currency exchange rates and changes in foreign exchange rates associated with other assets and liabilities on investments, forward foreign currency exchange contracts, futures, options purchased, options written and swap contracts are recognized as a component of "Net realized gain (loss) from investments and foreign currency," on the Statement of Operations, when applicable.

The unrealized gains and losses resulting from changes in foreign currency exchange rates and changes in foreign exchange rates associated with other assets and liabilities on investments are recognized as a component of "Change in net unrealized appreciation (depreciation) of investments and foreign currency," on the Statement of Operations, when applicable. The unrealized gains and losses resulting from changes in foreign exchange rates associated with forward foreign currency exchange contracts, futures, options purchased, options written and swap contracts are recognized as a component of "Change in net unrealized appreciation (depreciation) of forward foreign currency exchange contracts, futures contracts, options purchased, options written and swaps," respectively, on the Statement of Operations, when applicable.

Repurchase Agreements

In connection with transactions in repurchase agreements, it is each Fund's policy that its custodian take possession of the underlying collateral securities, the fair value of which exceeds the principal amount of the repurchase transaction, including accrued interest, at all times. If the counterparty defaults, and the fair value of the collateral declines, realization of the collateral may be delayed or limited.

The following table presents the repurchase agreements for the Funds that are subject to netting agreements as of the end of the reporting period, and the collateral delivered related to those repurchase agreements.

Fund	Counterparty	Short-Term Investments, at Value	Collateral Pledged (From) Counterparty*	Net Exposure
Preferred Income Opportunities (JPC)	Fixed Income Clearing Corporation	$ 22,741,190	$(22,741,190)	$
Preferred and Income Term (JPI)	Fixed Income Clearing Corporation	6,796,665	(6,796,665)	
Flexible Investment Income (JPW)	Fixed Income Clearing Corporation	1,313,604	(1,313,604)	

* As of January 31, 2014, the value of the collateral pledged from the counterparty exceeded the value of the repurchase agreements. Refer to the Fund's Portfolio of Investments for details on the repurchase agreements.

Zero Coupon Securities

Each Fund is authorized to invest in zero coupon securities. A zero coupon security does not pay a regular interest coupon to its holders during the life of the security. Income to the holder of the security comes from accretion of the difference between the original purchase price of the security at issuance

Notes to Financial Statements (Unaudited) (continued)

and the par value of the security at maturity and is effectively paid at maturity. The market prices of zero coupon securities generally are more volatile than the market prices of securities that pay interest periodically.

Investments in Derivatives

Each Fund is authorized to invest in certain derivative instruments, such as futures, options and swap contracts. Each Fund limits its investments in futures, options on futures and swap contracts to the extent necessary for the Adviser to claim the exclusion from registration by the Commodity Futures Trading Commission as a commodity pool operator with respect to each Fund. The Funds record derivative instruments at fair value, with changes in fair value recognized on the Statement of Operations, when applicable. Even though the Funds' investments in derivatives may represent economic hedges, they are not considered to be hedge transactions for financial reporting purposes.

Options Transactions

The purchase of options involves the risk of loss of all or a part of the cash paid for the options (the premium). The market risk associated with purchasing options is limited to the premium paid. The counterparty credit risk of purchasing options, however, needs also to take into account the current value of the option, as this is the performance expected from the counterparty. When a Fund purchases an option, an amount equal to the premium paid (the premium plus commission) is recognized as a component of "Options purchased, at value" on the Statement of Assets and Liabilities. When a Fund writes an option, an amount equal to the net premium received (the premium less commission) is recognized as a component of "Options written, at value" on the Statement of Assets and Liabilities and is subsequently adjusted to reflect the current value of the written option until the option is exercised or expires or the Fund enters into a closing purchase transaction. The changes in the value of options purchased during the fiscal period are recognized as a component of "Change in net unrealized appreciation (depreciation) of options purchased" on the Statement of Operations. The changes in the value of options written during the fiscal period are recognized as a component of "Change in net unrealized appreciation (depreciation) of options written" on the Statement of Operations. When an option is exercised or expires or the Fund enters into a closing purchase transaction, the difference between the net premium received and any amount paid at expiration or on executing a closing purchase transaction, including commission, is recognized as a component of "Net realized gain (loss) from options purchased and/or written" on the Statement of Operations. The Fund, as a writer of an option has no control over whether the underlying instrument may be sold (called) or purchased (put) and as a result bears the risk of an unfavorable change in the market value of the instrument underlying the written option. There is also the risk the Fund may not be able to enter into a closing transaction because of an illiquid market.

During the six months ended January 31, 2014, Preferred Income Opportunities (JPC) wrote covered call options on common stocks to hedge equity exposure. These options expired prior to the close of this reporting period.

The average notional amount of outstanding options contracts during the six months ended January 31, 2014, was as follows:

Average notional amount outstanding options written*	$	**

* The average notional amount is calculated based on the outstanding notional at the beginning of the fiscal year and at the end of each fiscal quarter within the current fiscal year.

** The Fund did not hold any options at the beginning of the fiscal year or at the end of each quarter within the current fiscal year.

The following table presents the amount of net realized gain (loss) and change in net unrealized appreciation (depreciation) recognized on options contracts during the six months ended January 31, 2014, and the primary underlying risk exposure.

Underlying Risk Exposure	Derivative Instrument	Net Realized Gain (Loss) from Options Written	Change in Net Unrealized Appreciation (Depreciation) of Options Written
Equity price	Options	$ 30,270	$

Swap Contracts

Interest rate swap contracts involve the each Fund's agreement with the counterparty to pay or receive a fixed rate payment in exchange for the counterparty receiving or paying a variable rate payment that is intended to approximate the Fund's variable rate payment obligation on any variable rate borrowing. Forward interest rate swap transactions involve each Fund's agreement with a counterparty to pay or receive, in the future, a fixed or variable rate payment in exchange for the counterparty receiving or paying the Fund a variable or fixed rate payment, the accruals for which would begin at a specified date in the future (the "effective date"). The payment obligation is based on the notional amount swap contract. Swap contracts do not involve the delivery of securities or other underlying assets or principal. Accordingly, the risk of loss with respect to the swap counterparty on such transactions is limited to the net amount of interest payments that each Fund is to receive. Swap contracts are valued daily. Upon entering into an interest rate swap (and beginning on the effective date for a forward interest rate swap), each Fund accrues the fixed rate payment expected to be paid or received and the variable rate payment expected to be received or paid on a daily basis, and recognizes the daily change in the fair value of the Fund's contractual rights and obligations under the contracts. The net amount recorded for these transactions for each counterparty is recognized on the Statement of Assets and Liabilities as a component of "Unrealized appreciation or depreciation on interest rate swaps (,net)" with the change during the fiscal period recognized on the Statement of Operations as a component of "Change in net unrealized appreciation (depreciation) of swaps." Income

received or paid by each Fund is recognized as a component of "Net realized gain (loss) from swaps" on the Statement of Operations, in addition to the net realized gains or losses recognized upon the termination of a swap contract, and are equal to the difference between the Fund's basis in the swap contract and the proceeds from (or cost of) the closing transaction. Payments received or made at the beginning of the measurement period are recognized as a component of "Interest rate swap premiums paid and/or received" on the Statement of Assets and Liabilities, when applicable. For tax purposes, periodic payments are treated as ordinary income or expense.

During the six months ended January 31, 2014 Preferred Income Opportunities (JPC) and Preferred and Income Term (JPI) continued to use interest rate swaps to partially fix its interest cost of leverage, which the Funds employ through the use of bank borrowings.

The average notional amount of interest rate swap contracts outstanding during the six months ended January 31, 2014, was as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)
Average notional amount of interest rate swap contracts outstanding*	$368,042,000	$168,750,000

* The average notional amount is calculated based on the outstanding notional at the beginning of the fiscal year and at the end of each fiscal quarter within the current fiscal year.

The following table presents the fair value of all interest rate swap contracts held by the Funds as of January 31, 2014, the location of these instruments on the Statement of Assets and Liabilities and the primary underlying risk exposure.

		Location on the Statement of Assets and Liabilities			
Underlying Risk Exposure	Derivative Instrument	Asset Derivatives Location	Value	(Liability) Derivatives Location	Value
Preferred Income Opportunities (JPC)					
Interest rate	Swaps	Unrealized appreciation on interest rate swaps, net	$6,995,482	Unrealized depreciation on interest rate swaps	$ (2,472,560)
Interest rate	Swaps	Unrealized appreciation on interest rate swaps, net	(120,266)		
Total			$6,875,216		$ (2,472,560)
Preferred and Income Term (JPI)					
Interest rate	Swaps	Unrealized appreciation on interest rate swaps, net	$2,806,005		$

The following table presents the swap contacts, which are subject to netting agreements, as well as the collateral delivered related to those swap contracts.

Fund	Counterparty	Gross Unrealized Appreciation on Interest Rate Swaps*	Gross Unrealized (Depreciation) on Interest Rate Swaps*	Amounts Netted on Statement of Assets and Liabilities	Net Unrealized Appreciation (Depreciation) on Interest Rate Swaps	Collateral Pledged to (from) Counterparty	Net Exposure
Preferred Income Opportunities (JPC)							
	JPMorgan	$ 6,995,482	$ (120,266)	$ (120,266)	$ 6,875,216	$ (6,875,216)	$
	Morgan Stanley		(2,472,560)		(2,472,560)	2,472,560	
Total		$ 6,995,482	$ (2,592,826)	$ (120,266)	$ 4,402,656	$ (4,402,656)	$
Preferred and Income Term (JPI)							
	JPMorgan	$ 2,806,005	$	$	$ 2,806,005	$ (2,806,005)	$

* Represents gross unrealized appreciation (depreciation) for the counterparty as reported in the Fund's Portfolio of Investments.

The following table presents the amount of net realized gain (loss) and change in net unrealized appreciation (depreciation) recognized on swap contracts on the Statement of Operations during the six months ended January 31, 2014, and the primary underlying risk exposure.

Fund	Underlying Risk Exposure	Derivative Instrument	Net Realized Gain (Loss) from Swaps	Change in Net Unrealized Appreciation (Depreciation) of Swaps
Preferred Income Opportunities (JPC)	Interest rate	Swaps	$ (1,003,933)	$ (2,060,410)
Preferred and Income Term (JPI)	Interest rate	Swaps		(2,037,414)

Notes to Financial Statements (Unaudited) (continued)

Market and Counterparty Credit Risk

In the normal course of business each Fund may invest in financial instruments and enter into financial transactions where risk of potential loss exists due to changes in the market (market risk) or failure of the other party to the transaction to perform (counterparty credit risk). The potential loss could exceed the value of the financial assets recorded on the financial statements. Financial assets, which potentially expose each Fund to counterparty credit risk, consist principally of cash due from counterparties on forward, option and swap transactions, when applicable. The extent of each Fund's exposure to counterparty credit risk in respect to these financial assets approximates their carrying value as recorded on the Statement of Assets and Liabilities.

Each Fund helps manage counterparty credit risk by entering into agreements only with counterparties the Adviser believes have the financial resources to honor their obligations and by having the Adviser monitor the financial stability of the counterparties. Additionally, counterparties may be required to pledge collateral daily (based on the daily valuation of the financial asset) on behalf of each Fund with a value approximately equal to the amount of any unrealized gain above a pre-determined threshold. Reciprocally, when each Fund has an unrealized loss, the Funds have instructed the custodian to pledge assets of the Funds as collateral with a value approximately equal to the amount of the unrealized loss above a pre-determined threshold. Collateral pledges are monitored and subsequently adjusted if and when the valuations fluctuate, either up or down, by at least the pre-determined threshold amount.

4. Fund Shares

Common Shares

Transactions in common shares were as follows:

	Preferred Income Opportunities (JPC)		
	Six Months Ended 1/31/14	Seven Months Ended 7/31/13	Year Ended 12/31/12
Common shares issued to shareholders due to reinvestment of distributions			

	Preferred and Income Term (JPI)		Flexible Investment Income (JPW)	
	Six Months Ended 1/31/14	Year Ended 7/31/13	Six Months Ended 1/31/14	For the period 6/25/13 (commencement of operations) through 7/31/13
Common shares sold		2,739,573	200,000	3,500,000*
Common shares issued to shareholders due to reinvestment of distributions		9,004		

* Excludes 5,250 shares owned by the Adviser.

5. Investment Transactions

Purchases and sales (including maturities but excluding short-term investments and derivative transactions, where applicable) during the six months ended January 31, 2014, were as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Purchases	$253,674,524	$165,311,064	$54,028,291
Sales and maturities	268,845,183	178,621,997	21,621,290

Transactions in options written for the following Fund during the six months ended January 31, 2014, were as follows:

	Preferred Income Opportunities (JPC)	
	Number of Contracts	Premiums Received
Options outstanding, beginning of period		$
Options written	591	30,270
Options expired	(591)	(30,270)
Options outstanding, end of period		$

6. Income Tax Information

Each Fund is a separate taxpayer for federal income tax purposes. Each Fund intends to distribute substantially all of its investment company taxable income to shareholders and to otherwise comply with the requirements of Subchapter M of the Internal Revenue Code applicable to regulated investment companies. In any year when the Funds realize net capital gains, each Fund may choose to distribute all or a portion of its net capital gains to shareholders, or alternatively, to retain all or a portion of its net capital gains and pay federal corporate income taxes on such retained gains.

For all open tax years and all major taxing jurisdictions, management of the Funds has concluded that there are no significant uncertain tax positions that would require recognition in the financial statements. Open tax years are those that are open for examination by taxing authorities (i.e., generally the last four tax year ends and the interim tax period since then). Furthermore, management of the Funds is also not aware of any tax positions for which it is reasonably possible that the total amounts of unrecognized tax benefits will significantly change in the next twelve months.

The following information is presented on an income tax basis. Differences between amounts for financial statement and federal income tax purposes are primarily due to recognition of premium amortization, timing differences in the recognition of income on real estate investment trust ("REIT") investments and timing differences in recognizing certain gains and losses on investment transactions. To the extent that differences arise that are permanent in nature, such amounts are reclassified within the capital accounts as detailed below. Temporary differences do not require reclassification. Temporary and permanent differences do not impact the NAVs of the Funds.

As of January 31, 2014, the cost and unrealized appreciation (depreciation) of investments (excluding investments in derivatives, where applicable), as determined on a federal income tax basis, were as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Cost of investments	$1,345,088,284	$760,517,221	$99,536,328
Gross unrealized:			
Appreciation	$ 55,046,380	$ 20,761,139	$ 952,189
Depreciation	(31,457,535)	(7,596,581)	(2,605,553)
Net unrealized appreciation (depreciation) of investments	$ 23,588,845	$ 13,164,558	$ (1,653,364)

Permanent differences, primarily due to federal taxes paid, notional principal contracts, tax basis earnings and profit adjustments, bond premium amortization adjustments, adjustments for REITs, complex securities character adjustments, litigation proceeds, and foreign currency reclasses, resulted in reclassifications among the Funds' components of common share net assets as of July 31, 2013, the Funds' last tax year end, as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Paid-in-surplus	$ (383,932)	$ (75,649)	$

Undistributed (Over-distribution of) net investment income	(1,106,300)	405,185
Accumulated net realized gain (loss)	1,490,232	(329,536)

The tax components of undistributed net ordinary income and net long-term capital gains as of July 31, 2013, the Funds' last tax year end, were as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Undistributed net ordinary income[1]	$ 6,045,230	$16,537,152	$ 114,911
Undistributed net long-term capital gains		9,204	

[1] Net ordinary income consists of net taxable income derived from dividends, interest, and net short-term capital gains, if any.

The tax character of distributions paid during the Funds' last tax year ended July 31, 2013, was designated for purposes of the dividends paid deduction as follows:

	Preferred Income Opportunities (JPC)[3]	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)[4]
Distributions from net ordinary income[2]	$36,836,933	$40,663,121	$
Distributions from net long-term capital gains			
Return of capital			

Notes to Financial Statements (Unaudited) (continued)

The tax character of distributions paid during Preferred Income Opportunities' (JPC) tax year ended December 31, 2012, was designated for purposes of the dividends paid deduction as follows:

	Preferred Income Opportunities (JPC)
Distributions from net ordinary income[2]	$73,683,563
Distributions from net long-term capital gains	
Return of Capital	

[2] Net ordinary income consists of net taxable income derived from dividends, interest, net short-term capital gains and current year earnings and profits attributable to realized gains, if any.

[3] For the seven months ended July 31, 2013.

[4] For the period June 25, 2013 (commencement of operations) through July 31, 2013.

As of July 31, 2013, the Funds' last tax year end, the following Fund had unused capital loss carryforwards available for federal income tax purposes to be applied against future capital gains, if any. If not applied, the carryforwards will expire as shown in the following table. The losses not subject to expiration retain the character reflected and will be utilized first by the Fund, while the losses subject to expiration are considered short-term.

	Preferred Income Opportunities (JPC)
Expiration:	
July 31, 2016	$129,811,368
July 31, 2017	204,895,930
July 31, 2018	9,385,427
Not subject to expiration:	
Short-term losses	
Long-term losses	
Total	$344,092,725

During the Funds' last tax year ended July 31, 2013, the following Fund utilized capital loss carryforwards as follows:

	Preferred Income Opportunities (JPC)
Utilized capital loss carryforwards	$30,171,610

7. Management Fees and Other Transactions with Affiliates

Each Fund's management fee compensates the Adviser for overall investment advisory and administrative services and general office facilities. The Sub-Advisers are compensated for their services to the Funds from the management fees paid to the Adviser.

Each Fund's management fee consists of two components a fund-level fee, based only on the amount of assets within each individual Fund, and a complex-level fee, based on the aggregate amount of all eligible fund assets managed by the Adviser. This pricing structure enables each Fund's shareholders to benefit from growth in the assets within their respective Fund as well as from growth in the amount of complex-wide assets managed by the Adviser.

The annual fund-level fee for each Fund, payable monthly, is calculated according to the following schedule:

Average Daily Managed Assets*	Preferred Income Opportunities (JPC) Fund-Level Fee Rate	Preferred and Income Term (JPI) Fund-Level Fee Rate	Flexible Investment Income (JPW) Fund-Level Fee Rate
For the first $500 million	.6800%	.7000%	.7000%
For the next $500 million	.6500	.6750	.6750
For the next $500 million	.6300	.6500	.6500
For the next $500 million	.6050	.6250	.6250
For managed assets over $2 billion	.5800	.6000	.6000

The annual complex-level fee for each Fund, payable monthly, is calculated according to the following schedule:

Complex-Level Managed Asset Breakpoint Level*	Effective Rate at Breakpoint Level
$55 billion	.2000%
$56 billion	.1996
$57 billion	.1989
$60 billion	.1961
$63 billion	.1931
$66 billion	.1900
$71 billion	.1851
$76 billion	.1806
$80 billion	.1773
$91 billion	.1691
$125 billion	.1599
$200 billion	.1505
$250 billion	.1469
$300 billion	.1445

* For the fund-level and complex-level fees, managed assets include closed-end fund assets managed by the Adviser that are attributable to certain types of leverage. For these purposes, leverage includes the funds' use of preferred stock and borrowings and certain investments in the residual interest certificates (also called inverse floating rate securities) in tender option bond (TOB) trusts, including the portion of assets held by a TOB trust that has been effectively financed by the trust's issuance of floating rate securities, subject to an agreement by the Adviser as to certain funds to limit the amount of such assets for determining managed assets in certain circumstances. The complex-level fee is calculated based upon the aggregate daily managed assets of all Nuveen Funds that constitute "eligible assets." Eligible assets do not include assets attributable to investments in other Nuveen Funds and assets in excess of $2 billion added to the Nuveen Fund complex in connection with the Adviser's assumption of the management of the former First American Funds effective January 1, 2011. As of January 31, 2014, the complex-level fee rate for each of these Funds was .1679%.

The Funds pays no compensation directly to those of its trustees who are affiliated with the Adviser or to its officers, all of whom receive remuneration for their services to the Funds from the Adviser or its affiliates. The Board of Trustees has adopted a deferred compensation plan for independent trustees that enables trustees to elect to defer receipt of all or a portion of the annual compensation they are entitled to receive from certain Nuveen-advised funds. Under the plan, deferred amounts are treated as though equal dollar amounts had been invested in shares of select Nuveen-advised funds.

8. Borrowing Arrangements

Borrowings

Preferred Income Opportunities (JPC) and Preferred and Income Term (JPI) each entered into a prime brokerage facility with BNP Paribas Prime Brokerage, Inc. ("BNP") while Flexible Investment Income (JPW) entered in to a committed secured 180-day continuous rolling borrowing facility with the Bank of Nova Scotia (collectively "Borrowings") as a means of leverage. Each Fund's maximum commitment amount under these Borrowings is as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Maximum commitment amount	$405,000,000	$250,000,000	$35,000,000

As of January 31, 2014, each Fund's outstanding balance on its Borrowings was as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)
Outstanding balance on Borrowings	$402,500,000	$225,000,000	$27,500,000

During the six months ended January 31, 2014, the average daily balance outstanding and average annual interest rate on each Fund's Borrowings were as follows:

	Preferred Income Opportunities (JPC)	Preferred and Income Term (JPI)	Flexible Investment Income (JPW)*
Average daily balance outstanding	$402,500,000	$225,000,000	$26,715,116
Average annual interest rate	1.07%	1.07%	.87%

* During the period August 13, 2013 (first utilization date of borrowings) through January 31, 2014.

Notes to Financial Statements (Unaudited) (continued)

In order to maintain these Borrowings, the Funds must meet certain collateral, asset coverage and other requirements. Borrowings outstanding are fully secured by securities held in each Fund's portfolio of investments ("Pledged Collateral"). For Preferred Income Opportunities (JPC) and Preferred and Income Term (JPI) interest is charged on these Borrowings at 3-Month LIBOR (London Inter-Bank Offered Rate) (during the period August 1, 2013 through December 9, 2013 and 1-month LIBOR thereafter) plus .85% per annum on the amounts borrowed and .50% per annum on the undrawn balance. Flexible Investment Income (JPW) interest is charged on the Borrowings at a rate equal to the 1-month LIBOR plus .70% per annum on the amount borrowed. In addition to the interest expense, Flexible Investment Income (JPW) will pay a commitment fee equal to .15% per annum on the undrawn balance.

Borrowings outstanding are recognized as "Borrowings" on the Statement of Assets and Liabilities. Interest expense incurred on the borrowed amount and undrawn balance and the one-time amendment fee are recognized as a component of "Interest expense on borrowings" on the Statement of Operations.

Rehypothecation

On December 9, 2013, the Adviser entered into a Rehypothecation Side Letter ("Side Letter") with BNP, allowing BNP to re-register the Pledged Collateral in its own name or in a name other than the Funds' to pledge, repledge, hypothecate, rehyphothecate, sell, lend or otherwise transfer or use the Pledged Collateral (the "Hypothecated Securities") with all rights of ownership as described in the Side Letter. Subject to certain conditions, the total value of the outstanding Hypothecated Securities shall not exceed the lesser of (i) 98% of the outstanding balance on the Borrowings to which the Pledged Collateral relates and (ii) 33 1/3% of the Funds' total assets. The Funds may designate any Pledged Collateral as ineligible for rehypothecation. The Funds may also recall Hypothecated Securities on demand.

The Funds also have the right to apply and set-off an amount equal to one-hundred percent (100%) of the then-current fair market value of such Pledged Collateral against the current Borrowings under the Side Letter in the event that BNP fails to timely return the Pledged Collateral and in certain other circumstances. In such circumstances, however, the Funds may not be able to obtain replacement financing required to purchase replacement securities and, consequently, the Funds' income generating potential may decrease. Even if a Fund is able to obtain replacement financing, it might not be able to purchase replacement securities at favorable prices.

The Funds will receive a fee in connection with the Hypothecated Securities ("Rehypothecation Fees") in addition to any principal, interest, dividends and other distributions paid on the Hypothecated Securities.

As of January 31, 2014, Preferred Income Opportunities (JPC) and Preferred and Income Term (JPI) each had Hypothecated Securities totalling $75,452,300 and $175,206,500, respectively. During the period from December 9, 2013 through January 31, 2014, Preferred Income Opportunities (JPC) and Preferred and Income Term (JPI) earned Rehypothecation Fees of $87,208 and $48,750, respectively, which is recognized as "Other income" on the Statement of Operations.

Additional

Fund Information

Board of Trustees

William Adams IV*	Robert P. Bremner	Jack B. Evans	William C. Hunter	David J. Kundert	John K. Nelson
William J. Schneider	Thomas S. Schreier, Jr.*	Judith M. Stockdale	Carole E. Stone	Virginia L. Stringer	Terence J. Toth

* Interested Board Member.

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Independent Registered Public Accounting Firm
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Chicago, IL 60606

Transfer Agent and Shareholder Services
State Street Bank & Trust Company
Nuveen Funds
P.O. Box 43071
Providence, RI 02940-3071
(800) 257-8787

Quarterly Form N-Q Portfolio of Investments Information

Each Fund is required to file its complete schedule of portfolio holdings with the Securities and Exchange Commission (SEC) for the first and third quarters of each fiscal year on Form N-Q. You may obtain this information directly from the SEC. Visit the SEC on-line at http://www.sec.gov or in person at the SEC's Public Reference Room in Washington, D.C. Call the SEC toll-free at (800) SEC -0330 for room hours and operation.

Nuveen Funds' Proxy Voting Information

You may obtain (i) information regarding how each fund voted proxies relating to portfolio securities held during the most recent twelve-month period ended June 30, without charge, upon request, by calling Nuveen Investments toll-free at (800) 257-8787 or on Nuveen's website at www.nuveen.com and (ii) a description of the policies and procedures that each fund used to determine how to vote proxies relating to portfolio securities without charge, upon request, by calling Nuveen Investments toll free at (800) 257-8787. You may also obtain this information directly from the SEC. Visit the SEC on-line at http://www.sec.gov.

CEO Certification Disclosure

The Fund's Chief Executive Officer (CEO) has submitted to the New York Stock Exchange (NYSE) the annual CEO certification as required by Section 303A.12(a) of the NYSE Listed Company Manual.

Each Fund has filed with the SEC the certification of its CEO and Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act.

Share Information

Each Fund intends to repurchase shares of its own common stock at such times and in such amounts as is deemed advisable. During the period covered by this report, each Fund repurchased shares of its common stock as shown in the accompanying table. Any future repurchases will be reported to shareholders in the next annual or semi-annual report.

	JPC	JPI	JPW
Common shares repurchased			

Any future repurchases will be reported to shareholders in the next annual or semi-annual report.

FINRA BrokerCheck

The Financial Industry Regulatory Authority (FINRA) provides information regarding the disciplinary history of FINRA member firms and associated investment professionals. This information as well as an investor brochure describing FINRA BrokerCheck is available to the public by calling the FINRA BrokerCheck Hotline number at (800) 289-9999 or by visiting www.FINRA.org.

Glossary of Terms

Used in this Report

n **Average Annual Total Return:** This is a commonly used method to express an investment's performance over a particular, usually multi-year time period. It expresses the return that would have been necessary each year to equal the investment's actual cumulative performance (including change in NAV or offer price and reinvested dividends and capital gains distributions, if any) over the time period being considered.

n **Barclays USD Capital Securities Index:** The Barclays USD Capital Securities component of the Barclays Global Capital Securities Index generally includes Tier 2/Lower Tier 2 bonds, perpetual step-up debt, step-up preferred securities, and term preferred securities. The index returns assume reinvestment of dividends, but do not include the effects of any sales charges or management fees.

n **Basel III:** A comprehensive set of reform measures designed to improve the regulation, supervision and risk management within the banking sector. The Basel Committee on Banking Supervision published the first version of Basel III in late 2009, giving banks approximately three years to satisfy all requirements. Largely in response to the credit crisis, banks are required to maintain proper leverage ratios and meet certain capital requirements.

n **BofA/Merrill Lynch Preferred Stock Fixed Rate Index:** An index that tracks the performance of fixed rate U.S. dollar denominated preferred securities issued in the U.S. domestic market. Qualifying securities must be rated investment grade (based on an average of Moody's, S&P, and Fitch) and must have an investment grade rated country of risk (based on an average of Moody's, S&P, and Fitch foreign currency long-term sovereign debt ratings). In addition, qualifying securities must be issued as public securities or through a 144A filing, must be issued in $25, $50 or $100 par/liquidation preference increments, must have a fixed coupon or dividend schedule, and must have a minimum amount outstanding of $100 million. The index returns assume reinvestment of dividends, but do not include the effects of any sales charges or management fees.

n **Effective Leverage:** Effective leverage is a fund's effective economic leverage, and includes both regulatory leverage (see below) and the leverage effects of certain derivative investments in the fund's portfolio that increase the funds' investment exposure.

n **Gross Domestic Product (GDP):** The total market value of all final goods and services produced in a country/region in a given year, equal to total consumer, investment and government spending, plus the value of exports, minus the value of imports.

n **JPC Blended Index (Comparative Benchmark):** A blended return consisting of 82.5% of the BofA/Merrill Lynch Preferred Stock Fixed Rate Index and 17.5% of the Barclays Capital Securities Index. The index returns assume reinvestment of dividends, but do not include the effects of any sales charges or management fees.

n **JPI Blended Benchmark Index:** A blended return consisting of the BofA/Merrill Lynch Preferred Stock Fixed Rate Index and the Barclays USD Capital Securities Index. The JPI Blended Benchmark Index is comprised of a 65% weighting in the BofA/Merrill Lynch Preferred Stock Fixed Rate Index, and a 35% weighting in the Barclays USD Capital Securities Index. Benchmark returns assume reinvestment of distributions, but do not include the effects of any sales charges or management fees.

n **Leverage:** Leverage is created whenever a fund has investment exposure (both reward and/or risk) equivalent to more than 100% of the investment capital.

n **Net Asset Value (NAV) Per Share:** A fund's Net Assets is equal to its total assets (securities, cash, accrued earnings and receivables) less its total liabilities. NAV per share is equal to the fund's Net Assets divided by its number of shares outstanding.

n **Regulatory Leverage:** Regulatory leverage consists of preferred shares issued by or borrowings of a fund. Both of these are part of a fund's capital structure. Regulatory leverage is subject to asset coverage limits set forth in the Investment Company Act of 1940.

Reinvest Automatically,

Easily and Conveniently

Nuveen makes reinvesting easy. A phone call is all it takes to set up your reinvestment account.

Nuveen Closed-End Funds Automatic Reinvestment Plan

Your Nuveen Closed-End Fund allows you to conveniently reinvest distributions in additional Fund shares.

By choosing to reinvest, you'll be able to invest money regularly and automatically, and watch your investment grow through the power of compounding. Just like distributions in cash, there may be times when income or capital gains taxes may be payable on distributions that are reinvested.

It is important to note that an automatic reinvestment plan does not ensure a profit, nor does it protect you against loss in a declining market.

Easy and convenient

To make recordkeeping easy and convenient, each quarter you'll receive a statement showing your total distributions, the date of investment, the shares acquired and the price per share, and the total number of shares you own.

How shares are purchased

The shares you acquire by reinvesting will either be purchased on the open market or newly issued by the Fund. If the shares are trading at or above net asset value at the time of valuation, the Fund will issue new shares at the greater of the net asset value or 95% of the then-current market price. If the shares are trading at less than net asset value, shares for your account will be purchased on the open market. If the Plan Agent begins purchasing Fund shares on the open market while shares are trading below net asset value, but the Fund's shares subsequently trade at or above their net asset value before the Plan Agent is able to complete its purchases, the Plan Agent may cease open-market purchases and may invest the uninvested portion of the distribution in newly-issued Fund shares at a price equal to the greater of the shares' net asset value or 95% of the shares' market value on the last business day immediately prior to the purchase date. Distributions received to purchase shares in the open market will normally be invested shortly after the distribution payment date. No interest will be paid on distributions awaiting reinvestment. Because the market price of the shares may increase before purchases are completed, the average purchase price per share may exceed the market price at the time of valuation, resulting in the acquisition of fewer shares than if the distribution had been paid in shares issued by the Fund. A pro rata portion of any applicable brokerage commissions on open market purchases will be paid by Plan participants. These commissions usually will be lower than those charged on individual transactions.

Flexible

You may change your distribution option or withdraw from the Plan at any time, should your needs or situation change.

You can reinvest whether your shares are registered in your name, or in the name of a brokerage firm, bank, or other nominee. Ask your investment advisor if his or her firm will participate on your behalf. Participants whose shares are registered in the name of one firm may not be able to transfer the shares to

another firm and continue to participate in the Plan.

The Fund reserves the right to amend or terminate the Plan at any time. Although the Fund reserves the right to amend the Plan to include a service charge payable by the participants, there is no direct service charge to participants in the Plan at this time.

Call today to start reinvesting distributions

For more information on the Nuveen Automatic Reinvestment Plan or to enroll in or withdraw from the Plan, speak with your financial advisor or call us at (800) 257-8787.

Notes

Notes

Nuveen Investments:

Serving Investors for Generations

Since 1898, financial advisors and their clients have relied on Nuveen Investments to provide dependable investment solutions through continued adherence to proven, long-term investing principles. Today, we offer a range of high quality equity and fixed-income solutions designed to be integral components of a well-diversified core portfolio.

Focused on meeting investor needs.

Nuveen Investments provides high-quality investment services designed to help secure the long-term goals of institutional and individual investors as well as the consultants and financial advisors who serve them. Nuveen Investments markets a wide range of specialized investment solutions which provide investors access to capabilities of its high-quality boutique investment affiliates Nuveen Asset Management, Symphony Asset Management, NWQ Investment Management Company, Santa Barbara Asset Management, Tradewinds Global Investors, Winslow Capital Management and Gresham Investment Management. In total, Nuveen Investments managed approximately $221 billion as of December 31, 2013.

Find out how we can help you.

To learn more about how the products and services of Nuveen Investments may be able to help you meet your financial goals, talk to your financial advisor, or call us at **(800) 257-8787**. Please read the information provided carefully before you invest. Investors should consider the investment objective and policies, risk considerations, charges and expenses of any investment carefully. Where applicable, be sure to obtain a prospectus, which contains this and other relevant information. To obtain a prospectus, please contact your securities representative or **Nuveen Investments, 333 W. Wacker Dr., Chicago, IL 60606**. Please read the prospectus carefully before you invest or send money.

Learn more about Nuveen Funds at: **www.nuveen.com/cef**

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ESA-C-0114D

ITEM 2. CODE OF ETHICS.

Not applicable to this filing.

ITEM 3. AUDIT COMMITTEE FINANCIAL EXPERT.

Not applicable to this filing.

ITEM 4. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

Not applicable to this filing.

ITEM 5. AUDIT COMMITTEE OF LISTED REGISTRANTS.

Not applicable to this filing.

ITEM 6. SCHEDULE OF INVESTMENTS.

a) See Portfolio of Investments in Item 1.

b) Not applicable.

ITEM 7. DISCLOSURE OF PROXY VOTING POLICIES AND PROCEDURES FOR CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this filing.

ITEM 8. PORTFOLIO MANAGERS OF CLOSED-END MANAGEMENT INVESTMENT COMPANIES.

Not applicable to this filing.

ITEM 9. PURCHASES OF EQUITY SECURITIES BY CLOSED-END MANAGEMENT INVESTMENT COMPANY AND AFFILIATED PURCHASERS.

Not applicable.

ITEM 10. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

There have been no material changes to the procedures by which shareholders may recommend nominees to the registrant s Board implemented after the registrant last provided disclosure in response to this Item.

ITEM 11. CONTROLS AND PROCEDURES.

(a) The registrant s principal executive and principal financial officers, or persons performing similar functions, have concluded that the registrant s disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the 1940 Act) (17 CFR 270.30a-3(c))) are effective, as of a date within 90 days of the filing date of this report that includes the disclosure required by this paragraph, based on their evaluation of the controls and procedures required by Rule 30a-3(b) under the 1940 Act (17 CFR 270.30a-3(b)) and Rules 13a-15(b) or 15d-15(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act)(17 CFR 240.13a-15(b) or 240.15d-15(b)).

(b) There were no changes in the registrant s internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act (17 CFR 270.30a-3(d)) that occurred during the second fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant s internal control over financial reporting.

ITEM 12. EXHIBITS.

File the exhibits listed below as part of this Form.

(a)(1) Any code of ethics, or amendment thereto, that is the subject of the disclosure required by Item 2, to the extent that the registrant intends to satisfy the Item 2 requirements through filing of an exhibit: Not applicable to this filing.

(a)(2) A separate certification for each principal executive officer and principal financial officer of the registrant as required by Rule 30a-2(a) under the 1940 Act (17 CFR 270.30a-2(a)) in the exact form set forth below: Ex-99.CERT attached hereto.

(a)(3) Any written solicitation to purchase securities under Rule 23c-1 under the 1940 Act (17 CFR 270.23c-1) sent or given during the period covered by the report by or on behalf of the registrant to 10 or more persons: Not applicable.

(b) If the report is filed under Section 13(a) or 15(d) of the Exchange Act, provide the certifications required by Rule 30a-2(b) under the 1940 Act (17 CFR 270.30a-2(b)); Rule 13a-14(b) or Rule 15d-14(b) under the Exchange Act (17 CFR 240.13a-14(b) or 240.15d-14(b)), and Section 1350 of Chapter 63 of Title 18 of the United States Code (18 U.S.C. 1350) as an exhibit. A certification furnished pursuant to this paragraph will not be deemed filed for purposes of Section 18 of the Exchange Act (15 U.S.C. 78r), or otherwise subject to the liability of that section. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference. Ex-99.906 CERT attached hereto.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

(Registrant) Nuveen Preferred Income Opportunities Fund

By (Signature and Title) /s/ Kevin J. McCarthy
Kevin J. McCarthy
Vice President and Secretary

Date: April 8, 2014

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

By (Signature and Title) /s/ Gifford R. Zimmerman
Gifford R. Zimmerman
Chief Administrative Officer
(principal executive officer)

Date: April 8, 2014

By (Signature and Title) /s/ Stephen D. Foy
Stephen D. Foy
Vice President and Controller
(principal financial officer)

Date: April 8, 2014