



## FOR IMMEDIATE RELEASE

### CONTACT:

Ford S. Worthy

[fworthy@pappas-capital.com](mailto:fworthy@pappas-capital.com)

919-998-3330

## Former Pappas Portfolio Company CEO Retracts Anonymous Allegations

**RESEARCH TRIANGLE PARK, N.C., July 17, 2018** — Pappas Capital announced today that Kenneth Ian Moch has retracted allegations of financial malfeasance that he made, anonymously, against two of the firm's senior executives. In the retraction letter, Mr. Moch acknowledged that "the statements that I made in the emails were false and it was wrong for me to send them." He also retracted all other disparaging statements that he made about Pappas Capital over the course of litigation that extended over more than two years.

During a seven-month period beginning in October 2014, Mr. Moch sent a series of anonymous emails to several of the firm's largest investors and to the news media. More than a year after the initial email, Pappas Capital identified Mr. Moch as the sender and named him in a defamation lawsuit. The two parties have entered into a settlement agreement and Pappas Capital has dismissed its defamation case against Mr. Moch. Mr. Moch was previously the CEO of Chimerix, a Durham, NC company in which venture capital funds managed by Pappas had invested.

Terms of the overall settlement agreement are confidential. A summary of notable publicly available events leading to the settlement is posted along with this press release on our website at [www.pappas-capital.com](http://www.pappas-capital.com).

### **About Pappas Capital**

Founded in 1994, Pappas Capital invests exclusively in the life sciences sector – biotechnology, biopharmaceuticals, drug delivery, medical devices and related ventures – across the United States and Canada. Pappas Capital has raised more than \$500 million in capital and has guided the launch or development of more than 70 companies.

Since 2014, three companies founded or co-founded by Pappas have been sold to large pharmaceutical companies: CoLucid Pharmaceuticals, acquired by Eli Lilly & Co. in 2017 for nearly \$1 billion; Afferent Pharmaceuticals, bought by Merck in 2016 for \$500 million upfront and \$750 million in milestones; and Lumena Pharmaceuticals, bought by Shire in 2014 for more than \$300 million. Over the past five years a dozen Pappas portfolio companies have been acquired or have completed an IPO – among them, Ultragenyx Pharmaceutical, TESARO, Rotation Medical and TYRX. Most recently, in June 2018 Kezar Life Sciences (Nasdaq: KZR) raised \$86.3 million in its initial public offering. For more information about Pappas Capital, please visit [www.pappas-capital.com](http://www.pappas-capital.com).

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**Pappas Capital**  
**Notable Publicly-Available Events in the Anonymous Email Matter**  
*(in chronological order)*

*October 22, 2014* – Using the email address [pappasventureswhistleblower@gmail.com](mailto:pappasventureswhistleblower@gmail.com), an unknown person sent the first of a series of anonymous emails to several of Pappas Capital's key investors. The initial email alleged that Art Pappas, possibly with Ford Worthy's knowledge, had misused and misappropriated funds under management by Pappas Ventures. Later emails repeating these allegations were sent to investors and other third parties, including the Raleigh News & Observer.

*June 4, 2015* – Pappas Capital filed a lawsuit against John Doe/Jane Doe, alleging that an unknown person had libeled Pappas Capital by sending the anonymous emails to our investors and other third parties (the "Durham County Complaint").

*November 18, 2015* – Pappas Capital amended the Durham County Complaint, naming Kenneth Ian Moch, the prior CEO of our former portfolio company Chimerix, as the party behind the anonymous emails and adding claims for cyberstalking and unfair and deceptive trade practices. A few hours later, Mr. Moch filed a complaint in Orange County alleging abuse of process and deceptive trade practices by Pappas Capital, Art Pappas and Ford Worthy (the "Orange County Complaint").

*February 25, 2016* – State Superior Court Judge James E. Hardin, Jr. granted our motion to dismiss the Orange County Complaint.

*December 20, 2016* – The North Carolina Court of Appeals unanimously affirmed the trial court's decision to dismiss the Orange County Complaint.

*June 2, 2017* – State Superior Court Judge A. Graham Shirley granted our request that the court sanction Mr. Moch and his attorneys (Spilman, Thomas & Battle, PLLC) for their conduct in connection with the Orange County Complaint. In his 29-page order, Judge Shirley ruled that Mr. Moch's lawsuit was brought for "improper purposes" – to increase our legal costs, to delay the dismissal of his action, and to drive a wedge between us and our counsel. The judge held that the allegations made by Mr. Moch against us were "not based on reasonable inquiry or investigation, were not well grounded in fact, and were not warranted by existing law or a good faith argument for the extension, modification or reversal of existing law." He ordered Mr. Moch and his lawyers to pay us \$269,055 in reimbursement of legal fees.

*September 21, 2017* – State Superior Court Judge Michael O'Foghludha granted our motion for partial summary judgment in the Durham County case. Judge O'Foghludha ruled that the allegations made by Mr. Moch in his series of emails were false as a matter of law. In his written order, the judge stated:

The Court allowed Mr. Moch broad ranging discovery in an attempt to prove the truth of his allegation of Financial Misuse and Misappropriation. Mr. Moch has not been able to identify so much as a dollar of misuse or misappropriation. ... Plaintiffs have come forward with multiple affidavits from multiple witnesses with personal knowledge all demonstrating that there was no Financial Misuse or Misappropriation. Further, the Plaintiffs have come forward with a decade of broad ranging financial information produced by them, their accountants, and their auditors, none of which raises any question about Financial Misuse or Misappropriation. In addition, the Plaintiffs have come forward with the results of an examination by the Securities and Exchange Commission finding no issues and which included scrutiny of Mr. Moch's allegation of Financial Misuse and Misappropriation. Finally, the Plaintiffs have come forward with the full report of an independent forensic accounting firm which conducted an independent forensic investigation of the allegation of Financial Misuse and Misappropriation. That report concluded that Mr. Moch's "allegations regarding financial malfeasance have no merit and appear to be unfounded."

*October 2017 - February 2018* – Mr. Moch acknowledged, in a written retraction letter, that "the statements that I made in the emails were false and it was wrong for me to send them." He also retracted all other disparaging statements that he made about Pappas Capital, including those made over the course of the litigation described above. The parties entered into a settlement agreement and Pappas Capital dismissed its defamation case against Mr. Moch.

*July 3, 2018* – The North Carolina Court of Appeals unanimously affirmed the trial court’s sanctions order in the Orange County case. The appeals court upheld the trial court’s ruling that Mr. Moch, Spilman, Thomas & Battle, PLLC, and attorney Jeffrey Patton used the judicial system for “improper purposes” in pursuing the Orange County Complaint and it upheld the lower court’s order requiring that we be paid a total of \$269,055 in reimbursement of legal fees.