



CATABASIS PHARMACEUTICALS, INC

INVESTMENT POLICY

May 2015

OBJECTIVES

The company's primary Objectives when investing excess cash are, in order of importance:

- Preservation of principal
- Maintenance of liquidity that is sufficient to meet cash flow requirements
- Total return, consistent with the other objectives
- Fiduciary control of cash and investments

The investment objective of the portfolio is not to invest or trade in securities for short-term speculative purposes.

ROLES AND RESPONSIBILITIES

The company's CEO, CFO, or designee ("Designee") will review the company's cash flow requirements and determine the amount of daily liquidity required for working capital. Funds not required for working capital will be invested in a managed portfolio of fixed income securities within the guidelines set forth below.

The Designee will review the investment policy annually and make changes as appropriate to ensure that it remains consistent with the overall objectives of the Company.

INVESTMENT GUIDELINES

1. Approved Instruments

The funds will be invested only in fixed income instruments denominated and payable in U.S. dollars. The following investments are considered appropriate:

- Obligations of the U.S. government and its agencies (excluding Fannie Mae & Freddie Mac)
- Money market funds registered according to SEC Rule 2a-7 of the Investment Company Act of 1940; fund size must be at least \$1 billion (funds that invest in US Treasuries and Agencies, excluding Fannie Mae and Freddie Mac).
 - (A) U.S. Treasury bills, notes, and bonds
 - i. Includes puttable, callable, and floating-rate obligations
 - (B) U.S. agency debt obligations
 - i. Includes obligations issued by government-sponsored enterprises
 - ii. Includes puttable, callable, and floating-rate obligations
 - (C) Money market funds
 - i. SEC-registered
 - ii. Maintain a net asset value of \$1.00/share

iii. Consist of a minimum of \$1 billion in assets

(D) Repurchase agreements

- i. Collateralized at a minimum of 102% with one of the following:
 - a. U.S. Treasury bills, notes, or bonds
 - b. U.S. agency debt obligations
- ii. Collateral may not have maturities in excess of 12 months

2. Prohibited Investments

- Borrowing for investment purposes.
- Investment in securities with underlying leverage risk or esoteric structures.
- Asset-backed securities
- Collateralized debt obligations, collateralized loan obligations
- Structured investment vehicles
- Auction rate securities, including but not limited to auction market preferred shares (AMPS), auction preferred shares (APS) and auction rate certificates (ARCs)
- Extendable commercial paper
- Corporate bonds, including eurodollar issues of U.S. corporations and U.S. dollar-denominated issues of foreign corporations

3. Credit Quality

At the time of purchase, short-term and long-term credit ratings must be rated highly by at least two of the three rating agencies. The short term credit rating by Standard and Poor's must be A-1 or better, P-1 or better by Moody's Investors Service, and/or F1 or better by Fitch Ratings. Securities of issuers with a long-term credit rating must be rated at least A by Standard & Poor's, A2 by Moody's, and/or A by Fitch Ratings. Money Market Funds must be rated AAAm/Aaa.

If securities are downgraded by one of the above rating agencies, notification of the downgrade and recommended action should be sent to the Designee within two business days of the downgrade event. If a security's rating drops below the minimum ratings above, it may be held with approval of the Designee.

4. Diversification

Securities of a single issuer valued at cost at the time of purchase should not exceed either 10% percent of the market value of the portfolio or \$1.5 million, whichever is greater. For purposes of this diversification restriction, securities of a parent company, subsidiaries, entities acquired or merged will be combined. Securities issued by the U.S. Treasury are specifically exempted from these restrictions.

5. Marketability/Liquidity

A minimum of two times the amount of expected monthly cash outflow must be liquid at the beginning of each month. All securities must be purchased through banks, investment banks and brokerage firms of high quality and reputation, with a history of making markets for the securities in which Catabasis Pharmaceuticals Inc. invests. In the unlikely event that securities must be sold before their maturity, all securities must be easily remarketable. To accomplish this, securities must be conventional products with strong name recognition.

6. Maturity/Portfolio Duration

At the time of purchase, the final maturity of each security within the portfolio shall not exceed 12 months.

For securities that have put, reset, or expected average maturity dates, the put, reset, or expected average maturity dates will be used, instead of the final maturity dates, for maturity limit purposes. For securities that have call dates, the final maturity dates will be used for maturity limit purposes, unless callable securities are purchased at significant premiums, in which cases the company may determine at its discretion to use call dates, instead of final maturity dates, for the purpose of calculating the weighted-average days to maturity of the company's portfolio. The liquidity requirements stated in Section 5 will always take priority over the maturity limits stated in this Section 6.

7. Performance Measurement

The investment manager will meet with Designee no less than annually and will be available for regular telephone contact. Investment performance for the portfolio will be measured against the agreed upon benchmark.

Daily and monthly, the investment manager will provide statements of transactions and market valuation of portfolio assets on a security-by-security and portfolio basis.

The investment manager must be able to claim compliance with the CFA Institute's Global Investment Performance Standards (GIPS®) and provide an independent verification of that compliance within one year of service. Furthermore, the investment manager must provide annually a copy of their SAS 70 Type II report.

8. Transparency and Verification

Company assets shall not be held by any investment manager or securities broker or dealer. Assets are to be held in a segregated third party custodial account with separate custody agreement executed between the custodian and the company. The third party custodian must provide annually a copy of their SAS 70 Type II report.

Authorized Signature, Title

Date