UNITED STATES DISTRICT COURT
WESTERN DISTRICT OF WASHINGTON
AT SEATTLE

FAN WANG and HANG GAO, Individually and on Behalf of All Others Similarly Situated, Plaintiff, v. ATHIRA PHARMA, INC., a Delaware Corporation, and LEEN KAWAS, Defendants.	Case No.: **CLASS ACTION COMPLAINT FOR VIOLATIONS OF THE FEDERAL SECURITIES LAWS** **Jury Trial Demanded**

Plaintiffs Fan Wang and Hang Gao ("Plaintiffs"), individually and on behalf of all others similarly situated, by and through their attorneys, allege upon personal knowledge as to their own acts, and upon information and belief as to all other matters, based upon the investigation conducted by and through their attorneys, which included, among other things, a review of documents filed by Defendants (as defined below) with the United States Securities and Exchange Commission (the "SEC"), news reports, press releases issued by Defendants, and other publicly available documents as follows:

NATURE AND SUMMARY OF THE ACTION

1. This is a federal securities class action on behalf of all investors who purchased or otherwise acquired Athira Pharma, Inc. ("Athira" or the "Company") securities between September 18, 2020 and June 17, 2021, inclusive (the "Class Period"). This action is brought on behalf of the Class for violations of Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act"), 15 U.S.C. §§ 78j(b) and 78t(a) and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. § 240.10b-5.

2. Athira is a clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration for those suffering from devastating neurological diseases, including Alzheimer's disease. The Company's product candidates aim to provide rapid cognitive improvement and alter the course of neurological diseases with their novel mechanism of action.

3. On June 17, 2021, after the market closed, Athira issued a press release announcing that the Company's Board of Directors had placed Leen Kawas, Athira's President and Chief Executive Officer, on temporary leave pending a review of actions stemming from doctoral research Kawas conducted while at Washington State University.

4. An article published in *STAT News* later that day revealed that the investigation of Kawas relates to allegations that she altered images in four separate papers relating to her research on hepatocyte growth factor (HGF), a protein with the potential to treat Alzheimer's disease and other neurological disorders. The article noted that although Athira "has since moved on to a different molecule than the one Kawas was working on, it still aims to target HGF. And so Kawas' doctoral work laid the biological groundwork that Athira continues to use in their approach to treating Alzheimer's."

5. Paul Matteis, a securities analyst at Stifel, highlighted the significance of the allegations, writing in a note that "The scientific hypothesis behind Athira came out of the work [that] Dr. Kawas did in graduate school so there is risk here that whatever comes out of this investigation could have clear negative implications for how we/investors view the asset, and/or management credibility."

6. On this news, Athira's stock price fell $7.09 per share, or nearly 39%, to close at $11.15 per share on June 18, 2021, on unusually heavy trading volume.

7. Throughout the Class Period, Defendants made materially false and misleading statements and omitted to material adverse facts regarding the Company's business. Specifically, Defendants failed to disclose to investors: (1) that the research conducted by Kawas, which formed the foundation for Athira's product candidates and intellectual property, was tainted by Kawas' scientific misconduct, including the manipulation of key data; and (2) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and omitted material facts necessary in order to make the statements made not misleading.

JURISDICTION AND VENUE

8. The federal law claims asserted herein arise under §§10(b) and 20(a) of the Exchange Act, 15 U.S.C. §§ 78j(b) and 78t(a), and Rule 10b-5 promulgated thereunder by the SEC, 17 C.F.R. §240.10b-5, as well as under the common law.

9. This Court has subject matter jurisdiction over this action pursuant to 28 U.S.C. § 1331, and § 27 of the Exchange Act, 15 U.S.C. § 78aa.

10. This Court has jurisdiction over each Defendant named herein because each Defendant is an individual or corporation who has sufficient minimum contacts with this District

so as to render the exercise of jurisdiction by the District Court permissible under traditional notions of fair play and substantial justice.

11. Venue is proper in this District pursuant to § 27 of the Exchange Act, 15 U.S.C. § 78aa and 28 U.S.C. § 1391(b), because Defendants maintain their principal office in this District, and many of the acts and omissions complained of herein occurred in substantial part in this District.

12. In connection with the acts, omissions, conduct and other wrongs alleged in this Complaint, Defendants, directly or indirectly, used the means and instrumentalities of interstate commerce, including but not limited to, the United States mail, interstate telephone communications and the facilities of a national securities exchange.

PARTIES

13. Plaintiffs Fan Wang and Hang Gao, as set forth in the attached Certifications, acquired and held shares of Athira at artificially inflated prices during the Class Period, and have been damaged by the revelation of the Company's material misrepresentations and material omissions.

14. Defendant Athira is a Delaware corporation with principal executive offices located at 18706 North Creek Parkway, Suite 104, Bothell, Washington 98011. Athira's common stock trades on the NASDAQ Stock Market ("NASDAQ") under the ticker symbol "ATHA."

15. Defendant Leen Kawas, Ph.D. ("Kawas") has served as Athira's President, Chief Executive Officer and a member of the Company's Board of Directors at all relevant times. On June 17, 2021, the Company announced that Kawas had been placed on temporary leave pending an investigation by the Board of Directors, but would remain a Director of the Company.

16. Kawas, because of her positions at the Company, possessed the power and authority to control the content and form of the Company's annual reports, quarterly reports, press releases, investor presentations, and other materials provided to the SEC, securities analysts, money and portfolio managers and investors, *i.e.*, the market. Kawas authorized the publication of the documents, presentations, and materials alleged herein to be misleading prior to its issuance and had the ability and opportunity to prevent the issuance of these false statements or to cause them to be corrected. Because of her position with the Company and access to material non-public information available to her but not to the public, Kawas knew that the adverse facts specified herein had not been disclosed to and were being concealed from the public and that the positive representations being made were false and misleading. Kawas is liable for the false statements pleaded herein.

SUBSTANTIVE ALLEGATIONS

17. Athira describes itself as a late clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration for those suffering from devastating neurological diseases, including Alzheimer's disease. The Company's product candidates aim to provide rapid cognitive improvement and alter the course of neurological diseases with their novel mechanism of action.

MATERIALLY FALSE AND MISLEADING STATEMENTS

18. On September 18, 2020, Athira filed its Prospectus Supplement on Form 424B4 with the SEC. The Company emphasized the central role of HGF—the focus of Kawas' doctoral research—in Athira's product candidates:

> We are a late clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration. With our product candidates, we aim to provide rapid cognitive improvement and alter the course of neurological diseases, with our novel mechanism of action. ***Our approach is designed to augment neuronal growth factor signaling through the HGF/MET***, a naturally occurring regenerative system. ***We believe enhancing HGF/MET signaling has the potential to protect existing neurons from damage, reduce inflammation, promote regeneration, and positively modulate brain activity***. We anticipate that all of these characteristics may improve neuronal health and translate into clinical benefits. ***Our pipeline is built from our proprietary drug discovery platform***, or ATH platform, and consists of a series of small molecules that are designed to target either (1) the central nervous system, or CNS, by crossing the blood brain barrier, or BBB, or (2) the peripheral nervous system. ***Our lead candidate, ATH-1017, is a subcutaneous administered, BBB-penetrating, small molecule HGF/MET activator***. . . .
>
> * * *
>
> ***We are pioneering the use of small molecules that are designed to promote the hepatocyte growth factor/MET, or HGF/MET***, a naturally occurring regenerative system, in neurological disorders. While discovered in the liver, HGF is a critical growth factor across multiple organs, including in the brain. HGF/MET has long been known as a promising therapeutic target for CNS disorders, however, delivery of large proteins or gene therapy to the CNS to augment HGF/MET is challenging due to the invasive methods needed for them to bypass the BBB and the risk of potential adverse immune response. ***Our novel BBB-penetrating small molecules are designed to overcome many of these hurdles, allowing us to efficiently tap into the regenerative potential of HGF/MET***. For therapeutic applications in CNS disorders, particularly AD, treatments that target neuronal growth factors can potentially accomplish several therapeutic goals, including rapid cognitive improvement and sustained neuroprotective effects.

(Emphasis added).

19. Athira also touted Kawas' key role in the Company's development strategy: "***Dr. Leen Kawas, our founder and chief executive officer, has been essential in creating our innovative translational development strategy***."

20. Under the section titled "Intellectual Property," Athira told investors::

> We own or have in-licensed numerous patents and patent applications and possess substantial know-how and trade secrets relating to the development and commercialization of our product candidates, including related manufacturing processes and technologies.
>
> As of June 20, 2020, our patent portfolio consisted of nine owned or in-licensed U.S. issued patents, ... Our solely-owned and in-licensed patents and patent applications include, among others, claims directed to:
>
> - ***ATH-1017 and related compounds***;
> - ***methods of using ATH-1017***; and
> - ***methods of using related compounds***
>
> We intend to pursue, when possible, further composition, method of use, dosing, formulation, and device patent protection directed to the neurogenerative products and processes we develop. We may also pursue patent protection with respect to manufacturing and drug development processes and technology.

(Emphasis added).

21. On November 12, 2020, Athira issued a press release announcing the Company's third quarter 2020 financial results. The press release provided in part:

> "At Athira, we are continuing to execute on our mission to restore neuronal health for those suffering from neurological diseases, including Alzheimer's, and we have successfully begun enrollment in our Phase 2/3 clinical study, LIFT-AD, evaluating our lead product candidate ATH-1017 in individuals with mild-to-moderate Alzheimer's disease," said Leen Kawas, Ph.D., President and Chief Executive Officer at Athira. "Supported by a strong cash investment

> from our Series B financing in June and our initial public offering in September, we remain focuses on advancing the development of ATH-1017 and our other pipeline programs."

22. Also on November 12, 2020, Athira filed its third quarter 2020 financial results on Form 10-Q with SEC. Under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," Defendants stated:

> We are a late clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration. With our product candidates, we aim to potentially provide cognitive improvement and alter the course of neurological diseases with our novel mechanism of action. ***Our approach is designed to augment neuronal growth factor signaling through the hepatocyte growth factor/MET, or HGF/MET***, a naturally occurring regenerative system. ***We believe enhancing HGF/MET signaling has the potential to protect existing neurons from damage, reduce inflammation, promote regeneration, and positively modulate brain activity***. We anticipate that all of these characteristics may improve neuronal health and translate into clinical benefits. ***Our pipeline is built from our proprietary drug discovery platform***, or ATH platform, and consists of a series of small molecules that are designed to target either (1) the central nervous system, or CNS, by crossing the blood brain barrier, or BBB, or (2) the peripheral nervous system.
>
> * * *
>
> We were incorporated in in March 2011 and ***since our inception, we have devoted substantially all of our resources to our research and development efforts such as small molecule compound discovery***, nonclinical studies and clinical trials, as well as manufacturing activities, establishing and maintaining our intellectual property portfolio, hiring personnel, raising capital, and providing general and administrative support for these operations. We do not have any products approved for commercial sale, and we have not generated any revenues related to our products since inception. Our ability to generate product revenue sufficient to achieve profitability, if ever, will depend on the successful development of one or more of our product candidates which we expect will take several years.

(Emphasis added).

23. On March 25, 2021, Athira issued a press release announcing its fourth quarter and fiscal 2020 financial results. The press release contained the following quote from Defendant Kawas:

> "2020 was a momentous year for the Athira team, particularly as we initiated two trials evaluating ATH-1017. The goal of the ACT-AD and LIFT-AD studies is to demonstrate the clinical utility of this promising agent to treat Alzheimer's disease and preserve cognitive health. Alzheimer's disease is an area of immense medical need and we are actively enrolling patients with the aim of reporting data in 2022," said Leen Kawas, Ph.D., President and Chief Executive Officer at Athira. "***Our novel treatment approach is agnostic to the underlying disease pathology and focuses on network recovery and information transmission in the brain, which has the potential to improve clinical outcomes for patients***. Our compounds have potential in a broad range of clinical applications, and we look forward to submitting INDs for our Parkinson's disease dementia program as well as our neuropsychiatric program this year. With our recently completed follow-on public offering, our balance sheet places us in a strong position to execute on our goals."

(Emphasis added).

24. That same day, Athira filed its fourth quarter and fiscal 2020 financial results on Form 10-K with the SEC. Under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," Defendants stated:

> We are a late clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration. With our product candidates, we aim to potentially provide cognitive improvement and alter the course of neurological diseases with our novel mechanism of action. ***Our approach is designed to augment neuronal growth factor signaling through the hepatocyte growth factor/MET, or HGF/MET***, a naturally occurring regenerative system. ***We believe enhancing HGF/MET signaling has the potential to protect existing neurons from damage, reduce inflammation, promote regeneration, and positively modulate brain activity***. We anticipate that all of these characteristics may improve neuronal health and translate into clinical benefits. ***Our pipeline is built from our proprietary drug discovery platform***, or ATH platform, and consists of a series of small molecules that are designed to target either (1)

> the central nervous system, or CNS, by crossing the blood brain barrier, or BBB, or (2) the peripheral nervous system.
>
> * * *
>
> We were incorporated in in March 2011 and ***since our inception, we have devoted substantially all of our resources to our research and development efforts such as small molecule compound discovery***, nonclinical studies and clinical trials, as well as manufacturing activities, establishing and maintaining our intellectual property portfolio, hiring personnel, raising capital, and providing general and administrative support for these operations. We do not have any products approved for commercial sale, and we have not generated any revenues related to our products since inception. Our ability to generate product revenue sufficient to achieve profitability, if ever, will depend on the successful development of one or more of our product candidates which we expect will take a number of years.

(Emphasis added).

25. Under the section titled "Intellectual Property," Athira told investors:

> We own or have in-licensed numerous patents and patent applications and possess substantial know-how and trade secrets relating to the development and commercialization of our product candidates, including related manufacturing processes and technologies.
>
> As of December 31, 2020, our patent portfolio consisted of eight owned or in-licensed U.S. issued patents, ... Our solely-owned and in-licensed patents and patent applications include, among others, claims directed to:
>
> - ***ATH-1017 and related compounds***, including but not limited to ATH-1019 and ATH-1020;
> - ***methods of using ATH-1017***; and
> - ***methods of using related compounds***, including but not limited to ATH-1019 and ATH-1020.
>
> We intend to pursue, when possible, further composition, method of use, dosing, formulation, and device patent protection directed to the neurogenerative products and processes we develop. We may also pursue patent protection with respect to manufacturing and drug development processes and technology.

26. On May 13, 2021, Athira issued a press release announcing its first quarter 2021 financial results. The press release contained the following quote from Defendant Kawas:

> "***We continue to execute on our corporate and clinical goals during this very important time in Athira's history***," said Leen Kawas, Ph.D., President and Chief Executive Officer at Athira. "Our clinical trials, ACT-AD and LIFT-AD, are actively enrolling and will evaluate the clinical utility of ATH-1017 to treat Alzheimer's disease and improve cognitive health. In addition to developing ATH-1017 in Alzheimer's disease, we plan to evaluate it in Parkinson's disease dementia. ***We also remain committed to advancing our expanding pipeline of novel, small molecule compounds***. We have a well-defined strategic plan ahead of us and are well-funded to reach multiple clinical and regulatory milestones."

(Emphasis added).

27. That same day, Athira filed its first quarter 2021 financial results on Form 10-Q with the SEC. Under the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations," Defendants stated:

> We are a late clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration. With our product candidates, we aim to potentially provide cognitive improvement and alter the course of neurological diseases with our novel mechanism of action. ***Our approach is designed to augment neuronal growth factor signaling through the hepatocyte growth factor/MET, or HGF/MET***, a naturally occurring regenerative system. ***We believe enhancing HGF/MET signaling has the potential to protect existing neurons from damage, reduce inflammation, promote regeneration, and positively modulate brain activity***. We anticipate that all of these characteristics may improve neuronal health and translate into clinical benefits. ***Our pipeline is built from our proprietary drug discovery platform***, or ATH platform, and consists of a series of small molecules that are designed to target either (1) the central nervous system, or CNS, by crossing the blood brain barrier, or BBB, or (2) the peripheral nervous system.
>
> * * *

> We were incorporated in in March 2011 and ***since our inception, we have devoted substantially all of our resources to our research and development efforts such as small molecule compound discovery***, nonclinical studies and clinical trials, as well as manufacturing activities, establishing and maintaining our intellectual property portfolio, hiring personnel, raising capital, and providing general and administrative support for these operations. We do not have any products approved for commercial sale, and we have not generated any revenues related to our products since inception. Our ability to generate product revenue sufficient to achieve profitability, if ever, will depend on the successful development of one or more of our product candidates which we expect will take a number of years.

(Emphasis added).

28. The statements identified in paragraphs 18–27 above were materially false and misleading and failed to disclose material facts about the Company's business, operations, and prospects. As alleged herein, Defendants misled investors by misrepresenting and/or failing to disclose: (1) that the research conducted by Defendant Kawas, which formed the foundation for Athira's product candidates and intellectual property, was tainted by Kawas' scientific misconduct, including the manipulation of key data through the altering of Western blot images; and (2) that, as a result of the foregoing, Defendants' positive statements about the Company's business, operations, and prospects were materially misleading and omitted material facts necessary in order to make the statements made not misleading.

THE TRUTH EMERGES

29. On June 17, 2021, after the market closed, Athira issued a press release entitled, "Athira Pharma Chief Operating Officer, Mark Litton, Assumes Day-to-Day Leadership Responsibilities of Company[:] *Leen Kawas Place on Temporary Leave Pending Board Review of Actions Stemming from Doctoral Research While at Washington State University*." Therein, the Company stated in relevant part:

> Athira Pharma, Inc. (NASDAQ: ATHA) ("Athira"), a late clinical-stage biopharmaceutical company focused on developing small molecules to restore neuronal health and stop neurodegeneration, today announced that Mark Litton, PhD, MBA, in his capacity as Chief Operating Officer, has assumed day-to-day leadership responsibilities for the Company, effective immediately.
>
> This follows the Board's determination to place Leen Kawas, PhD, President and Chief Executive Officer of Athira, on temporary leave pending a review of actions stemming from doctoral research Dr. Kawas conducted while at Washington State University. Dr. Kawas will remain on the Board. The Board has formed an independent special committee to undertake this review. The Company does not intend to comment further on this matter until the review is concluded.

30. Although Athira's press release provided the vaguest of explanations for placing Kawas on leave, investigative journalist Olivia Goldhill published an article titled "Athira Pharma CEO placed on leave amid allegations of altered images in her research papers." The article, published in *STAT News* on June 17, 2021, revealed the underlying allegations and the serious implications for Athira. The article stated:

> The chief executive officer of Athira Pharma, a biotech developing treatments for Alzheimer's and other neurodegenerative diseases, has been placed on temporary leave as her university investigates claims she published several papers containing altered images while she was a graduate student.
>
> The Seattle-based company did not disclose the reasons for the investigation of Leen Kawas, but STAT has learned that it involves allegations of altered images in four separate papers on which Kawas is the lead author. Images of Western blots, used to determine the presence of specific proteins in biological samples, look as though they've been altered from their original state, according to two image experts who spoke with STAT.
>
> Washington State University is investigating the claims after several of the images were flagged on PubPeer, a forum dedicated to discussing scientific research after publication, in recent weeks.

31. The *STAT News* article explained the significance of the allegations and the potential impact for Athira despite the fact that the alleged misconduct occurred years ago:

> Although the papers are up to a decade old, dating back to when Kawas was a doctoral student, **the papers are foundational to Athira's efforts to treat Alzheimer's and are cited in a patent licensed by Athira**. Kawas, who co-founded Athira, is described as a co-inventor in the patent.
>
> Athira is working to regrow neurons and strengthen synapses in the brain, based on a theory that doing so will alleviate the symptoms of the disease. The drugs under investigation by the company aim to achieve this by targeting hepatocyte growth factor (HGF), a protein present in the brain that stimulates the growth of cells, along with its receptor MET. Kawas' papers established that a particular molecule affects the activity of HGF.
>
> Although the company . . . has since moved on to a different molecule than the one Kawas was working on, it still aims to target HGF. And so **Kawas' doctoral work laid the biological groundwork that Athira continues to use in their approach to treating Alzheimer's**, neuroscientist George Perry of the University of Texas at San Antonio, told STAT: "**They are the foundational basic science**."

32. The *STAT News* article further expounded on the specifics of the allegations, and spoke with multiple experts who dismissed the possibility that the altered images might have been the result of error or careless work:

> In all four papers led by Kawas, Western blots are surrounded by faint lines. "These lines suggest that some parts of the photo might have been derived from elsewhere, and that this was not the blot as it was originally obtained," said Elisabeth Bik, a microbiologist and science consultant who focuses on image authenticity.
>
> **In eight different images in four different papers, the same Western blot bands seemingly appear repeatedly. "That's highly unlikely that came about accidentally**," said Paul Brookes, professor at the University of Rochester Medical Center, who has also worked on exposing scientific errors. . . .
>
> In two instances, the same image seems to be used to show the results of two different experiments published in different papers.

> And in a 2011 paper in the Journal of Pharmacology and Experimental Therapeutics, the same series of Western blot bands is seemingly used twice to represent two different proteins, and is stretched out for one of the proteins.
>
> "That's even more potentially problematic," said Bik. Such an inaccuracy is potentially reason to retract the paper, she said. "That's very misleading."
>
> * * *
>
> Washington State University, where Kawas conducted her research, said it had begun an inquiry into the images. "Washington State University takes claims of research misconduct very seriously," spokesperson Phil Weiler said in an email. . . .
>
> **The allegedly altered images call into question the validity of the entire studies, said several Alzheimer's experts**. If the Western blots are inaccurate, then the whole study must be redone, said Perry. The images are an important method of determining how the compound interacts with HGF. "**If there is a question about key data, all must be questioned**," he said.
>
> * * *
>
> Regardless of the reason, though, the results are inherently misleading, said Samuel Gandy, Mount Sinai Professor of Alzheimer's Disease Research at the Icahn School of Medicine. "It is not acceptable to mischaracterize a piece of data even if the purpose is merely aesthetics and if the bottom line is still correct." **Without a full review of the data behind the research, it's impossible to determine whether the overall results would remain unchanged**.

33. The *STAT News* article also spoke with legal experts concerning potential securities fraud liability as a result of Kawas' misconduct:

> The 2011 paper is one of several Kawas studies cited in a patent licensed to Athira, which explicitly credits her work with showing that a certain molecule affects HGF.
>
> This could make the company liable for securities fraud, said Jorge Contreras, professor of law and human genetics at the University of Utah: "The standard for securities fraud is not that high, and it could be triggered by reckless behavior as well as intentional deception. It

> seems entirely likely someone could be found liable and prosecuted and found guilty for this kind of activity."
>
> The patent based on research containing allegedly altered images is a potential securities fraud liability for the company, regardless of whether it is still researching that particular molecule. "The fraud involves the patent, not the drug, and because a patent is a valuable corporate asset, making a misrepresentation regarding the facts underlying the patent could qualify as fraud," said Contreras.

34. Paul Matteis, a securities analyst at Stifel, wrote in a note: "We don't really know how to process this development." Matteis underscored the fact that "**The scientific hypothesis behind Athira came out of the work [that] Dr. Kawas did in graduate school so there is risk here that whatever comes out of this investigation could have clear negative implications for how we/investors view the asset, and/or management credibility**."

35. On this news, the price of Athira shares fell $7.09 per share, or nearly 39%, to close at $11.15 per share on June 18, 2021, on unusually heavy trading volume.

CLASS ACTION ALLEGATIONS

36. Plaintiffs bring this action as a class action pursuant to Federal Rules of Civil Procedure 23(a) and (b)(3) on behalf of a class consisting of all persons and entities who purchased or otherwise acquired Athira securities between September 18, 2020 and June 17, 2021, inclusive, and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of Athira, as well as their families and affiliates.

37. The members of the Class are so numerous that joinder of all members is impracticable. The disposition of their claims in a class action will provide substantial benefits to the parties and the Court. Throughout the Class Period, Athira's shares were actively traded on the NASDAQ stock exchange. Although the exact number of Class members is unknown to Plaintiffs at this time and can only be ascertained through appropriate discovery, Plaintiffs believe that there

are at least hundreds, if not thousands of members in the proposed Class. Millions of Athira shares were publicly traded during the Class Period on the NASDAQ stock exchange. Record owners and other members of the Class may be identified from records maintained by Athira or its transfer agent and may be notified of the pendency of this action by mail, using the form of notice similar to that customarily used in securities class actions.

38. There is a well-defined community of interests in the questions of law and fact involved in this case. Questions of law and fact common to the members of the Class which predominate over questions which may affect individual Class members include:

a. Whether Defendants violated the Exchange Act;

b. Whether Defendants omitted and/or misrepresented material facts;

c. Whether Defendants' statements omitted material facts necessary to make the statements made, in light of the circumstances under which they were made, not misleading;

d. Whether Defendants knew or recklessly disregarded that their statements were false and misleading;

e. Whether the price of Athira's securities was artificially inflated; and

f. The extent of damage sustained by Class members and the appropriate measure of damages.

39. Plaintiffs' claims are typical of those of the Class because Plaintiffs and the Class sustained damages from Defendants' wrongful conduct alleged herein.

40. Plaintiffs will adequately protect the interests of the Class and have retained counsel who are experienced in class action securities litigation. Plaintiffs have no interests that conflict with those of the Class.

41. A class action is superior to all other available methods for the fair and efficient adjudication of this controversy.

FRAUD ON THE MARKET

42. Plaintiffs will rely upon the presumption of reliance established by the fraud-on-the-market doctrine that, among other things:

a. Defendants made public misrepresentations or failed to disclose material facts during the Class Period;

b. The omissions and misrepresentations were material;

c. The Company's securities traded in efficient markets;

d. The misrepresentations alleged herein would tend to induce a reasonable investor to misjudge the value of the Company's securities; and

e. Plaintiffs and other members of the Class purchased the Company's securities between the time Defendants misrepresented or failed to disclose material facts and the time that the true facts were disclosed, without knowledge of the misrepresented or omitted facts.

43. At all relevant times, the markets for the Company's securities were efficient for the following reasons, among others: (i) the Company filed periodic public reports with the SEC; and (ii) the Company regularly communicated with public investors via established market communication mechanisms, including through regular disseminations of press releases on the major news wire services and through other wide-ranging public disclosures such as communications with the financial press, securities analysts, and other similar reporting services. Plaintiffs and the Class relied on the price of the Company's securities, which reflected all information in the market, including the misstatements by Defendants.

NO SAFE HARBOR

44. The statutory safe harbor provided for forward-looking statements under certain conditions does not apply to any of the allegedly false statements pleaded in this Complaint. The specific statements pleaded herein were not identified as forward-looking statements when made.

45. To the extent there were any forward-looking statements, there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements.

LOSS CAUSATION

46. On June 17, 2021, after the market closed, Athira issued the press release announcing that Defendant Kawas had been placed on temporary leave pending Board review of the misconduct alleged herein. On this news, the price of Athira shares plummeted $7.09 per share or nearly 39%, to close at $11.15 per share on June 18, 2021, on unusually heavy trading volume.

47. The revelations in the press release and related news coverage contradicted statements made by Defendants during the Class Period and were a causal element of the concurrent decline in the Company's share price.

SCIENTER ALLEGATIONS

48. As alleged herein, Defendants acted with scienter since Defendants knew that the public documents and statements issued or disseminated in the name of the Company were materially false and/or misleading and omitted to disclose material facts necessary to make the statements made not misleading; knew that such statements or documents would be issued or disseminated to the investing public; and knowingly and substantially participated or acquiesced in the issuance or dissemination of such statements or documents as primary violations of the federal securities laws. As set forth elsewhere herein in detail, Defendant Kawas, by virtue of her

possession of information reflecting the true facts regarding Athira, her control over and/or receipt and/or modification of Athira's allegedly materially misleading misstatements and/or her associations with the Company which made her privy to confidential proprietary information concerning Athira, participated in the fraudulent scheme alleged herein.

COUNT I
Violations of § 10(b) of the Exchange Act and Rule 10b-5 Promulgated Thereunder (Against All Defendants)

49. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

50. During the Class Period, Defendants Athira and Kawas disseminated or approved the false statements specified above, which they knew or deliberately disregarded were misleading in that they contained misrepresentations and failed to disclose material facts necessary in order to make the statements made, in light of the circumstances under which they were made, not misleading.

51. Defendants Athira and Kawas violated § 10(b) of the Exchange Act and Rule 10b-5 in that they: (i) employed devices, schemes and artifices to defraud; (ii) made untrue statements of material fact and/or omitted to state material facts necessary to make the statements not misleading; and (iii) engaged in acts, practices, and a course of business which operated as a fraud and deceit upon those who purchased or otherwise acquired the Company's securities during the Class Period.

52. Plaintiffs and the Class have suffered damages in that, in reliance on the integrity of the market, they paid artificially inflated prices for the Company's securities. Plaintiffs and the Class would not have purchased the Company's securities at the price paid, or at all, if they had

been aware that the market prices had been artificially and falsely inflated by Defendants' misleading statements.

COUNT II
Violation of § 20(a) of the Exchange Act
(Against Kawas)

53. Plaintiffs repeat and reallege each and every allegation contained above as if fully set forth herein.

54. Defendant Kawas acted as a controlling person of the Company within the meaning of § 20(a) of the Exchange Act as alleged herein. By virtue of her high-level positions at the Company, Kawas had the power and authority to cause or prevent the Company from engaging in the wrongful conduct complained of herein. Kawas was provided with or had unlimited access to the documents described above that contained statements alleged by Plaintiffs to be false or misleading both prior to and immediately after their publication, and had the ability to prevent the issuance of those materials or to cause them to be corrected so as not to be misleading.

PRAYER FOR RELIEF

WHEREFORE, Plaintiffs pray for relief and judgment, as follows:

A. Determining that this action is a proper class action pursuant to Rules 23(a) and 23(b) of the Federal Rules of Civil Procedure on behalf of the Class as defined herein, and a certification of Plaintiffs as class representatives pursuant to Rule 23 of the Federal Rules of Civil Procedure and appointment of Plaintiff's counsel as Lead Counsel;

B. Awarding compensatory and punitive damages in favor of Plaintiffs and the other Class members against all Defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including pre-judgment and post-judgment interest thereon;

C. Awarding Plaintiffs and the other members of the Class their costs and expenses in this litigation, including reasonable attorneys' fees, expert fees and other costs and disbursements; and

D. Awarding Plaintiffs and the other Class Members such other relief as this Court may deem just and proper.

DEMAND FOR JURY TRIAL

Plaintiffs hereby demand a trial by jury in this action of all issues so triable.

Dated: June 25, 2021