

THREE ARCH MANAGEMENT III LLC

Form 4

February 18, 2011

**FORM 4****UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

Check this box  
if no longer  
subject to  
Section 16.  
Form 4 or  
Form 5  
obligations  
may continue.  
See Instruction  
1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF  
SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,  
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section  
30(h) of the Investment Company Act of 1940

## OMB APPROVAL

OMB  
Number: 3235-0287  
Expires: January 31,  
2005  
Estimated average  
burden hours per  
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(Print or Type Responses)

1. Name and Address of Reporting Person \*  
**THREE ARCH MANAGEMENT III  
LLC**

2. Issuer Name **and** Ticker or Trading  
Symbol  
**ACELRX PHARMACEUTICALS  
INC [ACRX]**

5. Relationship of Reporting Person(s) to  
Issuer

(Check all applicable)

(Last) (First) (Middle)

3200 ALPINE ROAD,

(Street)

PORTOLA VALLEY, CA 94028

(City) (State) (Zip)

3. Date of Earliest Transaction  
(Month/Day/Year)  
02/16/2011

4. If Amendment, Date Original  
Filed(Month/Day/Year)

\_\_\_\_ Director \_\_\_\_X\_\_\_\_ 10% Owner  
\_\_\_\_ Officer (give title below) \_\_\_\_ Other (specify below)

6. Individual or Joint/Group Filing(Check  
Applicable Line)  
\_\_\_\_ Form filed by One Reporting Person  
\_\_X\_\_ Form filed by More than One Reporting  
Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)			
			Code	V	Amount		Price

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of  
information contained in this form are not  
required to respond unless the form  
displays a currently valid OMB control  
number.**

SEC 1474  
(9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned  
(e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security	2. Conversion or Exercise	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any	4. Transaction Code	5. Number of Derivative Securities Acquired (A) or Disposed of (D)	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Underlying S (Instr. 3 and
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(Instr. 3)	Price of Derivative Security	(Month/Day/Year)	(Instr. 8)		(Instr. 3, 4, and 5)		Date Exercisable	Expiration Date	Title
			Code	V	(A)	(D)			
Series C Convertible Preferred Stock	<u>(7)</u>	02/16/2011	C			24,130	<u>(10)</u>	<u>(11)</u>	Common Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	J		631 <u>(17)</u>		<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	X			631	<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	X		631		<u>(10)</u>	<u>(11)</u>	Common Stock
Series C Convertible Preferred Stock	\$ 5	02/16/2011	S			498 <u>(23)</u>	<u>(10)</u>	<u>(11)</u>	Common Stock
Series C Convertible Preferred Stock	<u>(7)</u>	02/16/2011	C			133	<u>(10)</u>	<u>(11)</u>	Common Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	J		11,754 <u>(18)</u>		<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
Warrant to purchase Series C Convertible Preferred Stock	<u>(14)</u>	02/16/2011	X			11,754	<u>(15)</u>	<u>(16)</u>	Series C Preferred Stock
	<u>(14)</u>	02/16/2011	X		11,754		<u>(10)</u>	<u>(11)</u>	

Series C Convertible Preferred Stock								Common Stock
Series C Convertible Preferred Stock	\$ 5	02/16/2011	S		9,269 <sup>(24)</sup>	<u>(10)</u>	<u>(11)</u>	Common Stock
Series C Convertible Preferred Stock	<u>(7)</u>	02/16/2011	C		2,485	<u>(10)</u>	<u>(11)</u>	Common Stock
Convertible Promissory Note	<u>(19)</u>	02/16/2011	J	\$ 9,966.73 <u>(17)</u>		<u>(19)</u>	<u>(19)</u>	Common Stock
Convertible Promissory Note	<u>(20)</u>	02/16/2011	J	\$ 185,385.3 <u>(18)</u>		<u>(20)</u>	<u>(20)</u>	Common Stock
Convertible Promissory Note	<u>(19)</u>	02/16/2011	C		\$ 9,966.73	<u>(19)</u>	<u>(19)</u>	Common Stock
Convertible Promissory Note	<u>(20)</u>	02/16/2011	C		\$ 185,385.3	<u>(20)</u>	<u>(20)</u>	Common Stock

## Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
THREE ARCH MANAGEMENT III LLC 3200 ALPINE ROAD PORTOLA VALLEY, CA 94028		X		
WAN MARK A C/O THREE ARCH PARTNERS 3200 ALPINE RD PORTOLA VALLEY, CA 94028	X			
JAEGER WILFRED E C/O THREE ARCH PARTNERS 3200 ALPINE RD PORTOLA VALLEY, CA 94028		X		
THREE ARCH PARTNERS III LP		X		
		X		

THREE ARCH ASSOCIATES III LP  
C/O THREE ARCH PARTNERS  
3200 ALPINE ROAD  
PORTOLA VALLEY, CA 94028

## Signatures

/s/ Stephen J. Bonelli,  
Attorney-in-fact

02/18/2011

\_\_Signature of Reporting Person

Date

## Explanation of Responses:

- \* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).
- \*\* Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
- (2) The shares are held by Three Arch Associates III, L.P. The voting and dispositive decisions with respect to the shares held by Three Arch Associates III, L.P., are made by the following Managing Members of its general partner Three Arch Management III, L.L.C.: Mark Wan and Wilfred Jaeger, each of whom disclaims beneficial ownership of such shares.
- (4) The shares are held by Three Arch Partners III, L.P. The voting and dispositive decisions with respect to the shares held by Three Arch Partners III, L.P., are made by the following Managing Members of its general partner Three Arch Management III, L.L.C.: Mark Wan and Wilfred Jaeger, each of whom disclaims beneficial ownership of such shares.
- (7) The shares reflect the automatic conversion of shares of the Issuer's Series C Convertible Preferred Stock into Common Stock on a one-for-one basis upon the closing of the Issuer's initial public offering.
- (10) Immediately convertible into shares of the Issuer's Common Stock.
- (11) These shares have no expiration date.
- (14) The exercise price is \$3.942 per share.
- (15) Immediately exercisable prior to and contingent upon the closing of the Issuer's initial public offering.
- (16) Pursuant to its terms, the warrant was to be terminated at the closing of the Issuer's initial public offering. Holder elected to not exercise the warrants immediately prior to the closing of the Issuer's initial public offering. In the event the Issuer's public offering did not occur, the warrant would have terminated on September 14, 2017, unless earlier terminated in accordance with its terms, in a liquidation or change of control transaction.
- (17) Pursuant to that certain Note and Warrant Transfer Agreement dated February 16, 2011, ACP IV, L.P. transferred (i) a convertible promissory note in the amount of \$10,138.38 including accrued interest and (ii) an associated warrant to purchase preferred stock of the Issuer, exercisable into 631 shares of Series C Convertible Preferred Stock to Three Arch Associates III, L.P., for a nominal consideration, contingent upon the closing of the Issuer's initial public offering.
- (18) Pursuant to that certain Note and Warrant Transfer Agreement dated February 16, 2011, ACP IV, L.P. transferred (i) a convertible promissory note in the amount of \$188,578.05 including accrued interest and (ii) an associated warrant to purchase preferred stock of the Issuer, exercisable into 11,754 shares of Series C Convertible Preferred Stock to Three Arch Partners III, L.P., for a nominal consideration, contingent upon the closing of the Issuer's initial public offering.
- (19) A note with the principal amount plus accrued interest of \$10,138.38 converted automatically upon the closing of the Issuer's initial public offering into shares of Common Stock at a conversion price of \$4.00, which is 80.0% of the per share price of the Common Stock sold in the Issuer's initial public offering.
- (20) A note with the principal amount plus interest of \$188,578.05 converted automatically upon the closing of the Issuer's initial public offering into shares of Common Stock at a conversion price of \$4.00, which is 80.0% of the per share price of the Common Stock sold in the Issuer's initial public offering.
- (23) These shares represent the net exercise of a warrant to purchase Series C Convertible Preferred Stock for an acquisition of 133 shares of Series C Convertible Preferred Stock of the Issuer.
- (24) These shares represent the net exercise of a warrant to purchase Series C Convertible Preferred Stock for an acquisition of 2,485 shares of Series C Convertible Preferred Stock of the Issuer.

## Remarks:

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Form 2 of 2.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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